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FT poll on attitudes to integration

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Living with the drachma

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FINANCIAL TIMES

Europe's Business Newspaper — WEDNESDAY JUNE 1 1994 — D8523A

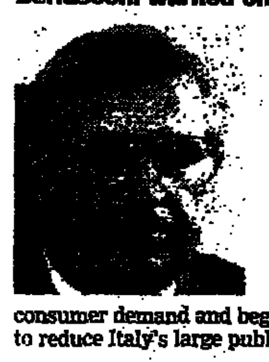
Prodi steps down as IRI losses reach a record $6.4bn

IRI, the Italian state holding company, said 1993 losses had reached a record L10,230bn ($6.4bn), more than double the L4,809bn for the previous year. At the same time, it was announced that chairman Romano Prodi had handed in his resignation to Lamberto Dini, minister for the treasury, which is Iri's sole shareholder. IRI transformed in 1992 into a treasury-controlled public company with a current capital of L15,000bn. Of the losses L8,317bn was attributed to the reorganisation and restructuring of IRI's subsidiaries in the steel and construction/engineering sectors – Ilva and Iritecna. Page 17

S Korea considers early OECD entry: South Korea is considering an unexpectedly early entry into the Organisation for Economic Co-operation and Development, which urged the country to increase the pace of deregulation to ensure continued growth. Page 16

Europe seeks role on Japan aircraft: European aerospace companies called on Japan to include them in its attempt to create a world class Japanese civil aircraft industry. Boeing and China are already taking part in a project to develop a 70-80 seat passenger aircraft. Page 16

Berlusconi warned on inflation



Antonio Fazio (left), governor of the Bank of Italy, warned the Berlusconi government against introducing inflationary policies to stimulate economic recovery after two year's of harsh recession. He made it clear the bank would raise interest rates if the recovery encouraged excessive consumer demand and began to ignore the need to reduce Italy's large public sector deficit. Page 2

Nissan Motor, Japan's second largest carmaker, plunged to a record consolidated pre-tax loss of Y202.4bn ($1.9bn) in the 12 months to the end of March, its worst financial performance since it became a public company. Page 17

South Africa to rejoin Commonwealth: South Africa is to become the 51st member of the Commonwealth, which emerged from the British empire, rejoining the grouping from which it withdrew 33 years ago after declaring a republic. Page 6

Japan's recession seen at bottom: Further evidence that the Japanese recession has hit bottom emerged with a slight easing in unemployment and an official forecast of an improvement in business conditions. Page 6

British Telecommunications is set to gain the consent of US regulatory authorities for its $5.3bn alliance with MCI, the second largest US operator. Page 17

EU tightens beef controls: European Union ministers agreed tighter controls against "mad cow" disease (BSE), in an effort to divert German threats to ban imports of British beef. Page 3

S.G. Warburg: Two directors of the UK-based investment bank received more than £1m in salary and bonuses last year, as emoluments to the bank's directors nearly doubled to £10.7m. Page 17

UK inflation risk: Evidence that the British economic recovery may be fuelling inflationary pressures emerged as a business survey warned that manufacturing bottlenecks had significantly raised factory prices in May. Page 9

Nigeria strengthens exchange controls: Nigeria's military regime has increased direct control over scarce foreign exchange and export finance despite opposition from finance minister Kalu I. Kalu and Paul Ogwuma, central bank governor. Page 6

Brazil constitution update fails: Brazil's attempt to update its constitution ended largely in failure yesterday, highlighting the weaknesses in the country's political system. Page 7

Smoking blamed for 450,000 EU deaths: Smoking kills at least 450,000 people in the European Union each year, said EU Social Affairs Commissioner Padraig Flynn, in a statement to mark 'World No Tobacco Day'.

Appetite wanes for British wine: Wine production at one of England's biggest vineyards is being wound down after the business failed to attract a buyer as a going concern. Page 10; Sour grapes for English wine industry, Page 10

■ STOCK MARKET INDICES		
FT SE 100	2970.5	(+4.1)
Yield	4.15	
FT-SE Eurotrack 100	1399.73	(-4.46)
FT-SE-A All-Share	1501.22	(+0.0%)
Nikkei	20,973.58	(+134.62)
New York: lunchtime		
Dow Jones Ind Ave	3756.83	(-0.31)
S&P Composite	456.33	(-1.00)
■ US LUNCHTIME RATES		
Federal Funds	4¼%	
3-mo Treas Bills: Yld	4.28%	
Long Bond	86¼	
Yield	7.436%	
■ LONDON MONEY		
3-mo Interbank	5⅛%	(same)
Liffe long gilt future	Jun 100	
■ NORTH SEA OIL (Argus)		
Brent 15 day (Jul)	$16.36	(16.325)
■ Gold		
New York Comex (June)	$387.1	(384.7)
London	$387.8	(385.7)

■ STERLING		
New York lunchtime		
$	1.511	
London:		
$	1.5118	(1.5086)
DM	2.4846	(2.4806)
FFr	8.4953	(8.4766)
SFr	2.1283	(2.1177)
Y	158.212	(157.493)
£ Index	80.0	(79.8)
■ DOLLAR		
New York lunchtime:		
DM	1.648	
FFr	5.6425	
SFr	1.405	
Y	104.765	
London:		
DM	1.6435	(1.6444)
FFr	5.6195	(5.619)
SFr	1.4025	(1.4038)
Y	104.665	(104.4)
$ Index	63.3	(same)
Tokyo close Y 104.38		

■ Europe-wide falls as dealers fear end to rate cuts ■ Commodity prices push higher

Inflation worries hit bond prices

By Conner Middelmann in London

Dealers across Europe drove government bond prices lower yesterday as the view took hold that inflationary pressures were on the rise and markets had entered a bear phase.

Fears that resurgent inflation pressures will bring an end to interest rate cuts in Europe, and may, indeed, cause short-term rates to rise have pushed bond yields sharply higher.

Those worries were fanned yesterday by the continuing surge in commodity prices, amid reports of heavy buying on international markets, where hedge funds were said to be particularly active.

Grains were sharply higher in Chicago, while coffee rose $132 a tonne to $2,118. Cocoa was up nearly 4 per cent and most industrial base metals were higher.

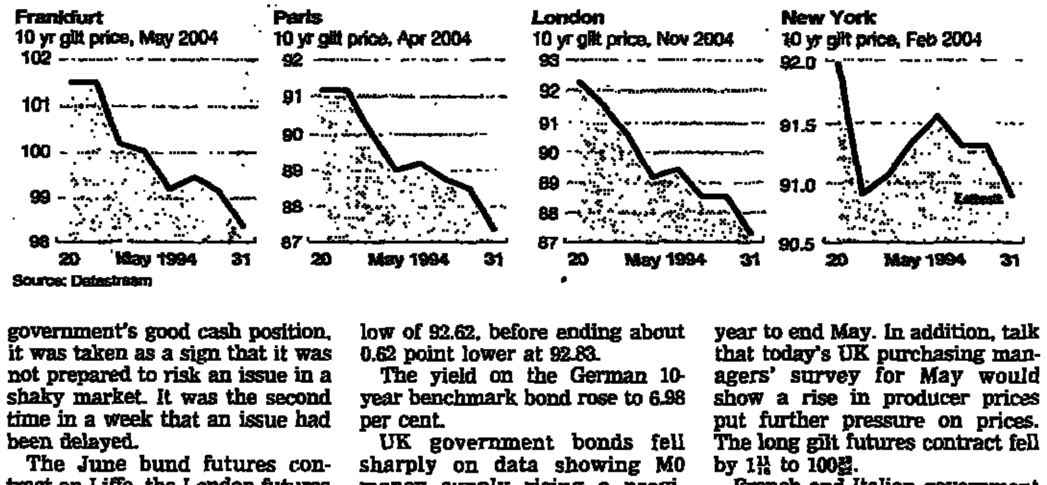
Most of the activity took place in futures pits rather than in cash bonds. Technical support levels on several futures contracts were breached, which further shook confidence and gave traders the impression that prices would continue to fall.

"It's a very scared market," one London bond trader said. "Most bonds offer great value on a fundamental basis, but after the losses of the recent months, no one dares to get in, even at these levels."

Germany led the decline when the June contract of the German government bond future fell to a new low for the year.

The Bundesbank announced that a widely expected auction of long-dated bonds would not take place. While the Bundesbank said the move was the result of the government's good cash position, it was taken as a sign that it was not prepared to risk an issue in a shaky market. It was the second time in a week that an issue had been delayed.

Bonds fall from Europe to Wall Street



Source: Datastream

The June bund futures contract on Liffe, the London futures and options exchange, reached a low of 92.62, before ending about 0.62 point lower at 92.83.

The yield on the German 10-year benchmark bond rose to 6.98 per cent.

UK government bonds fell sharply on data showing M0 money supply rising a provisional adjusted 7.1 per cent in the year to end May. In addition, talk that today's UK purchasing managers' survey for May would show a rise in producer prices put further pressure on prices. The long gilt futures contract fell by 1$\frac{11}{16}$ to 100$\frac{25}{32}$.

French and Italian government bonds also fell sharply, tracking Germany lower but further weighed down by supply pressures. The June futures contract on the French exchange Matif fell by 1.00 point to 117.72, while the Italian BTP future dropped by 1.25 point to 108.17.

In the US, fears of inflation and further interest rate rises by the Federal Reserve eased slightly after the Commerce Department reported that disposable personal incomes fell 0.2 per cent in April, while spending on personal consumption fell 0.1 per cent.

In equity markets, the bonds weakness led to yet another turbulent trading session in London. The FT-SE 100 Index closed 4.1 higher at 2,970.5.

German M3 boiler builds up steam, Page 15
Lex, Page 16
Government bonds, Page 23

Kohl and Mitterrand make pact over EU presidency

By David Buchan in Mulhouse

Germany and France yesterday pledged close co-ordination of their successive European Union presidencies over the next year at a summit replete with gestures of friendship that appeared to clear the air of recent tensions.

For the first time since 1944, German soldiers will march down the Champs Elysées on July 14 as a result of President Mitterrand's announcement yesterday that he would invite the Eurocorps, the newly-formed multinational army group, to take part in France's Bastille day military parade.

Inevitably absent from next week's D-Day commemoration in Normandy, Chancellor Helmut Kohl, the German leader, yesterday expressed his "warm" welcome for this "very generous" gesture. Chancellor Kohl is expected to attend the July 14 parade, along with leaders of Belgium, Luxembourg and Spain, which contribute troops to the Eurocorps along with France and Germany.

Mr Mitterrand said he hoped the next year would give the impression of "a continuous, if not a common, Franco-German presidency". Germany takes the chair of the EU Council of Ministers on July 1 and will hand it to France on January 1 next year. Its main themes are expected to be fostering more jobs at home and more stability to the east.

Mr Kohl endorsed President Mitterrand's call for the EU to reinforce its institutions as it takes in new members, and the German leader rejected any attempt to turn the Union into "just a big free trade zone, as once proposed by one of our number", a reference to Mrs Margaret Thatcher, the former UK prime minister.

Germany and France will place "development of the [Union's] common foreign and security policy . . . at the centre of their co-operation" in running their presidencies, according to a communiqué yesterday. A key part of this common policy will be closer security links with east European countries, and partnership with Russia. Mr Alain Juppé, the French foreign minister, confirmed that France was no longer blocking a new EU accord with Russia.

The two countries also signalled their intention to set up a joint arms procurement agency and to develop a new large military transport plane and observation satellite system to give their forces more "strategic mobility". The arms agency would coordinate the two countries numerous

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Dan Rostenkowski: refused to accept a plea agreement — Picture: Reuter

Rostenkowski charged with corruption

By Jurek Martin in Washington

A US federal grand jury yesterday charged Democrat Congressman Dan Rostenkowski, powerful chairman of the House ways and means committee, with 17 counts of corrupt practices, including embezzlement, mail and wire fraud and tampering with a witness.

Mr Eric Holder, the federal prosecutor in Washington, said Mr Rostenkowski, now in his 36th year in Congress, had been guilty of "a pattern of corrupt activity going back for 20 years and embezzled hundreds of thousands of dollars in order to enrich himself, his family and his friends".

Mr Rostenkowski is forced under House of Representatives rules to resign his committee chairmanship, and his absence from this key panel is likely to make passage of President Bill Clinton's healthcare reform legislation no easier.

The indictments were brought following the failure of negotiations under which the congressman would have pleaded guilty to lesser offences and stepped down from chairmanship of ways and means. But on Monday he declared he was innocent of all charges and determined to clear his name in court.

Mr Holder said that if Mr Rostenkowski was found guilty he would spend "several years in jail", though he was not specific on the details.

The indictments include charges that Mr Rostenkowski embezzled over $50,000 from the House post office by converting postage stamp purchases into cash; that he misappropriated $40,000 from the House stationery office in the form of gifts for friends; and that he cost the House treasury $70,000 by leasing cars for his personal use.

Mr Rostenkowski was also charged with putting on his payroll – paid for by public funds – personnel who mostly performed private duties for him and his family. The total cost was as much as $500,000, Mr Holder said.

Mr Rostenkowski's decision not to cut a deal with the federal prosecutors and to seek re-election in November is consistent with his reputation as a doughty fighter. Faced with yesterday's

Continued on Page 16

Majority in favour of enlarging European Union

Euro-poll blow for single currency

By David Marsh, European Editor

Europeans are doubtful that there will be a single currency by the end of the century, but favour EU enlargement by a wide margin, according to an FT opinion poll across all 12 EU members.

The survey underlines how German voters seem to be joining traditionally Euro-sceptic electorates in Denmark and the UK in their antipathy towards closer integration along the lines of the Maastricht treaty.

The poll was commissioned by the Financial Times and seven other European newspapers in advance of the European elections later this month. It was carried out through telephone interviews last month by Harris Research among a sample of 6,439 people.

Only 8 per cent of respondents in west Germany, and 7 per cent of those in east Germany, believed that a single currency was "very likely" in at least three EU member countries by the end of the century. Overall, 47 per cent of Europeans thought a single currency was likely by 2000, with 46 per cent saying it was unlikely.

A total of 64 per cent of British respondents, who appear least in favour of the Maastricht treaty, said a single currency was either "very likely" or "fairly likely" by 2000, compared with figures below 40 per cent in Germany, Denmark, Spain and Italy.

The survey reveals a deep split on the desirability of fulfilling the Maastricht plan for European union. Respondents in the UK, Denmark and east and west Germany said by a roughly 2 to 1 margin they were against the Maastricht arrangements, supporting a "looser" Europe. Firmest support for Maastricht came from Italy, Spain, Belgium and the Netherlands, all in favour of closer integration by margins of 2 to 1 or more.

On enlargement, 79 per cent of the EU electorate favoured the planned extension of the EU to Sweden, Finland, Norway and Austria on January 1, with only 9 per cent against. A smaller proportion – 50 per cent, with 30 per cent against – backed membership by former communist countries, with support greatest in Italy and east Germany.

A large proportion of Europeans – 27 per cent of the French, 21 per cent of west Germans, 20 per cent of the Spanish and 19 per cent of Belgians – label Britain as the EU country they least trust.

Britons also show considerable suspicion of other important EU partners, with 44 per cent and 24 per cent describing respectively France and Germany as the nations they least trust.

Most voters favour more power for the European parliament, with 46 per cent of respondents saying it has too little, and only 20 per cent believing it has too much.

CONTENTS

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Warning to Berlusconi on inflation

By Robert Graham in Rome

Mr Antonio Fazio, the governor of the Bank of Italy, yesterday warned the new Berlusconi government against introducing inflationary policies to stimulate economic recovery after two years of harsh recession.

Mr Fazio made it clear the bank would raise interest rates if the recovery encouraged excessive consumer demand and began to ignore the continuing need to reduce Italy's large public sector deficit.

"A recovery which is too rapid and too heavily weighted towards consumption would require immediate corrective action," he said.

"While the central bank will continue to provide support for the present state of the economy and for employment, it is also alert to any pressure on costs and prices. The moment the recovery ceases to be non-inflationary, monetary policy must be aimed at halting price increases by resorting to a rise in interest rates."

The warning was the central point the governor's annual economic statement – regarded as the bank's single most important economic analysis during the year.

The Berlusconi government is less than three weeks old and has spelled out few details of its committment to stimulate the current timid recovery. But Mr Fazio's comments are likely to become the benchmark against which government policy will be judged.

The bank is clearly concerned that Mr Berlusconi's rhetorical electoral promise of creating 1m jobs and encouraging business confidence through fiscal incentives risks being inflationary. Italy's inflation, annualised at 4.1 percent, still remains well above the average despite a sharp drop in domestic demand and a drop in real earnings over the past two years.

He gave cautious endorsement to the cabinet's decision last Friday to unfreeze public works blocked by the two-year-old corruption scandals and moves by the previous Ciampi government to introduce new laws on bidding and awarding contracts. Public works investments fell last year by 16 per cent, he said.

Renewed investment could help job creation and the recovery, as well as raise the standard of Italy's poor infrastructure. But Mr Fazio insisted old habits of wastage and corruption had to be avoioded.

In the context of public works projects, Mr Fazio backed the Delors White Paper on job creation through infrastructure projects. By emphasising this and almost ignoring the issue of moves towards monetary union, this suggests the bank will continue to adopt a wait-and-see attitude towards developments over implementation of the Maastricht Treaty.

Mr Fazio was careful to stick to technical advice and thus avoid an early confrontation with the new government, several of whose members are anxious to curb the 100-year-old institution's autonomy. On public spending he threw his weight behind the new government's desire to reduce the excessive benefits of the state pensions scheme.

He made no mention of a successor to Mr Lamberto Dini, who left from being the governor's deputy to become treasury minister on May 18. Instead he paid fullsome tribute to Mr Dini's role especially on the international scene and looked forward to "intense collaboration" between the treasury and the Bank of Italy.

But he also concluded with a reminder of the bank's ultimate role. "Acting in the exclusive interests of the country with the aim of contributing to stable development, the Bank of Italy will be careful to prevent any brusque movement in the value of the currency," he said.

Senator Sam Nunn: proposed switch to US location

Nationalist sentiment may compel change of venue

Hitch in plan for US-Russian exercises

By John Lloyd in Moscow

A joint peacekeeping exercise between US and Russian troops, planned for this month in Russia and meant to symbolise the closer co-operation between the two former antagonists, is now likely to take place in the US, in deference to Russian nationalist sentiment.

Mr Sam Nunn, chairman of the US Senate Armed Services Committee, said in Moscow yesterday that he had proposed the change of venue after learning that the exercise had been "indefinitely postponed" by President Boris Yeltsin.

A senior Pentagon official said last night that "Senator Nunn's proposal is one possibility. We are following on with conversations with the [Russian] defence ministry about a possible postponement".

Mr Nunn said the incident did not necessarily mean Russia would not take a full part in the Partnership for Peace – the Nato plan to draw former communist countries into association with it, which Russia has said it will sign this month. He said that the Rusian government "must do a vigorous job in explaining things to its people".

The shift of venue, and the victory of the nationalists in having the exercise moved, was lambasted yesterday by Mr Yegor Gaidar, former deputy prime minister and leader of the liberal Russia's Choice party, as "a syndrome of paranoid re-militarisation" – in contrast to the "steadfastness and courage" of the US in proposing to host the exercise.

"Our military men would be happy to act like Enver Hoxja [former leader of Albania], to sprinkle pillboxes all over Russia and to protect us with sharp barbed wire and rows of tanks from the rest of the world".

Mr Nunn said that "because it had become a political issue and there were local objections, we agreed to go back and recommend to President Clinton that the joint exercise be held on US soil. This should take away the most sensitive thing – because somehow the US is seen as victorious in the cold war. That's the feeling that was expressed to us."

The exercise, which would have included only 250 unarmed troops from both sides, was designed for training in peacekeeping techniques – now increasingly required by Russian military engaged in such missions in the former Soviet states on its borders.

It had been agreed earlier this year in talks between Mr William Perry, US defence secretary, and General Pavel Grachev, Russian defence minister, but has been a controversial issue in parliament ever since.

Mr Vladimir Lukin, chairman of the duma's foreign relations committee and a former Russian ambassador to the US, said yesterday that partnership with other countries, including the US, required "delicacy and tact" because of a growing feeling that "national pride was being humbled".

Tail wags the dog in Groupe Schneider affair

By Emma Tucker in Brussels and John Ridding in Paris

This morning, Mr Didier Pineau Valencienne, chairman of France's Groupe Schneider will be led from the notoriously unpleasant Foret prison in Brussels for a hearing in a fraud case before Belgium's prosecuting authorities.

At roughly the same time, on the other side of town, minority shareholders of Cofimines, the Schneider subsidiary, will have another chance to voice their grievances against the beleaguered French chairman at their annual general meeting.

It is thanks to the aggressive tactics of the two Belgian subsidiaries – Cofimines and Cofibel – that the investigation into the French electrical engineering group was triggered.

Their initial complaints centred on claims that Schneider's 1992 bid to buy them out had undervalued their shares. At the end of last year shareholders reached an agreement with Schneider, after which they agreed to withdraw legal proceedings.

At least one, however, did not accept the deal. Yesterday Mr Andre de Barsy, a prominent Belgian property owner and shareholder in both Cofimines and Cofibel, said he had independently collected thick files of information that incriminated Mr Pineau Valencienne. He claimed that Schneider manipulated sales of shares between its subsidiaries in order to benefit its own balance sheet. He denied suggestions in the French press that he had prompted the Belgian authorities to continue their investigations.

"There was nothing to stop the authorities acting on their own," he said yesterday. "My duty is to be a shareholder and to ask for questions of principle to be restored."

Yesterday, Groupe Schneider denied it had harmed the interests of minority shareholders in Cofimines and Cofibel. The French group said it had invested BFr2.2bn ($65m) in Cofibel and Cofimines since 1989 and that the two companies had seen their net assets per share rise by 3.75 times and 2.75 times between 1981 and 1993.

Schneider said the offer, launched in 1992, to buy out minority shareholders in the two companies was equivalent to 4.25 times the share price of Cofibel in 1981 and 4.6 times the share price of Cofimines at the same date. During the same period the Brussels bourse rose in value by 4.59 times. "These facts show that the relations beween Schneider and its Belgian financial subsidiaries were not developed for sole benefit of the majority shareholder," the company said.

The affair continued to provoke indignation, and a certain amount of smugness in the Belgian press. Long used to being dismissed by the French as *les petits Belges* they enjoy jabbing their arrogant neighbour.

L'Echo, a Francophone financial daily, said Belgium's "audacity" in daring to imprison a member of the French establishment had prompted indignant, acid and occasionally insulting comments about the Belgians in the French press. All the Belgian newspapers have meanwhile vigorously defended the reputation of Mr Jean-Claude Van Espen, the Belgian prosecuting judge responsible for detaining Mr Pineau Valencienne.

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EU verdict on chemical venture expected

By Emma Tucker in Brussels and Daniel Green in London

The European Commission is expected to decide today whether to allow Montedison and Royal Dutch/Shell to create a joint chemicals venture, Montell, in polyethylene and polypropylene.

An advisory committee to the Commission had recommended a veto of the $6.6bn venture last week and Montedison's share price fell almost 9 per cent last Friday on fears that the deal would be abandoned. The shares have since recovered as the companies pointed out they could change details of the proposed deal.

A public announcement is expected from the Commission next week, ahead of a June 15 deadline. Yesterday, senior managers from both prospective joint venture partners were in Brussels to present final arguments to the Commission. The Commission will discuss these arguments with its special committtee today.

The deal is important to both Montedison, industrial arm of the collapsed Ferruzzi empire, and Anglo-Dutch petrochemicals group Royal Dutch/Shell. In an industry suffering from over capacity in eastern Europe, they are facing cut-price competition from eastern Europe in polypropylene and the Mid-east in polyethylene.

The two companies have been careful to stress that their collaboration is over polypropylene technology, not their combined European Union market share which they say would be 24 per cent. Advances in technology are one of the main planks of defence against cut-price commodity imports from eastern Europe.

In addition, Montedison's plastics subsidiary Himont has developed a technique for making a type of polyethylene (linear low density polyethylene or LLDPE) which is an improvement over older methods in some respects. Shell has the cash resources and the raw material, ethylene, to accelerate development of Montedison's LLDPE. According to chemicals consultancy Chem Systems, European demand for LLDPE should almost double by 2000, while that for older forms could rise by less than 10 per cent.

The application for the venture has been contested by other European manufacturers, led by US-owned Union Carbide, and Belgium's Petrofina. The commission opened an inquiry earlier this year, suspecting that even if limited to a technology joint venture, the combination would prove too powerful.

Brussels argued that technology developed by the companies - Spheripol by Montedison and Unipol by Shell and Union Carbide of the US - was used by 70 per cent of the world's polypropylene manufacturers.

EUROPEAN NEWS DIGEST

EU tightens beef controls

European Union agriculture ministers yesterday agreed tighter controls against "mad cow" disease (BSE) in an effort to divert German threats to ban imports of British beef. The ministers, meeting in Brussels, backed a package of measures from Mr René Steichen, agriculture commissioner, including extending to all member states a ban on the use of meat and bone meal in cattle feed. A ban has been in place in Britain since 1988. "It should be sufficient to dispel any fears the German farm minister [Mr Jochen Borchert] might have had," said Mr Steichen. The measures proposed by Mr Steichen include raising temperatures in the meat rendering process, restricting the use of meat by-products in cosmetics and ensuring checks in all member states to detect BSE.

However, pressure for a unilateral ban on British beef imports has come from Mr Horst Seehofer, German health minister. Bonn argues that it is not certain that humans are not at risk from BSE. Mr Seehofer will discuss the issue further with his EU counterparts at a health ministers' meeting tomorrow. *Alison Maitland, London*

Greek warning to banks

Greece's central bank governor, Mr Yannis Boutos, warned yesterday that commercial banks could not expect any assistance in covering losses incurred in the current upheaval on local financial markets. His warning came as competition for funds between banks and the finance ministry intensified. With liquidity still being squeezed, banks were offering much higher interest rates for short-term deposits yesterday. Private Greek banks were offering rates of 35-50 per cent on one-month deposits of more than Drlm (£2,700). This compared with 27 per cent on the government's new zero-coupon one-month bond available to investors with more than Dr15m. Mr Boutos claimed the battle to save the drachma from devaluation had been won and that short-term interest rates, still at more than 100 per cent on the interbank market, "would de-escalate over the next one or two weeks". The drachma slipped against the D-Mark yesterday, closing at Dr148.1, down from Dr147.9 on Monday. *Kerin Hope, Athens*

Shift on sale of Polish insurer

Poland's finance ministry has dropped plans to break up PZU, the country's largest insurer. It will privatise the state-owned company as a whole, in line with management suggestions. Mr Roman Fulneczek, PZU president, argues that the company should be kept together to better face the challenge of the liberalisation of the country's insurance market in 1999. PZU which reported a 325bn zloty (£9.6m) net profit last year controls about half Poland's fledgling insurance market. The decision includes devoting around 800bn zlotys worth of profits earned by PZU Zycie, a wholly-owned subsidiary, to plug a 1,600bn zloty gap in PZU's reserves. This would avoid the need to draw on a $200m loan offered by the European Bank for Reconstruction and Development to underpin a government bond issue designed to bolster PZU's finances. The ministry also appears to have accepted PZU management's three-year privatisation strategy. *Christopher Bobinski, Warsaw*

Germans alter arms sale rules

The export of German weapons systems made with foreign partners will no longer need special approval following measures intended to make German companies more competitive. The economics ministry said projects undertaken with companies in the 25 member countries of the Organisation for Economic Co-operation and Development could now go ahead without approval if German components made up less than 20 per cent of the product. Previously, all weapons exports had to be cleared by the Federal Security Council, which oversees defence policy. Such international projects would only be allowed if Nato saw a need for the weapons systems and companies involved would have to agree in advance where the finished product would be sold, a measure designed to prevent sales of arms to so-called "crisis zones" like the Middle East. The new rules will not apply to nuclear, biological or chemical weapons or their delivery systems. *Michael Lindemann, Bonn*

Heart surgery scandal claims

Mr Horst Seehofer, German health minister, gives evidence to a parliamentary committee today about mounting charges that heart surgeons have been falsifying the cost of operations, part of an alleged network of abuse which may total up to DM45m (£18m). The federation of health insurance funds said some doctors had been pocketing up to DM3,000 per cardiac valve they fit. Another insurance association said it had evidence that prices for artificial joints and other products had also been inflated. Mr Seehofer said a senior official had been discussing the claims since February. Public prosecutors and local health insurance funds had meanwhile taken over the investigations. *Michael Lindemann*

Setback for Latvian coalition

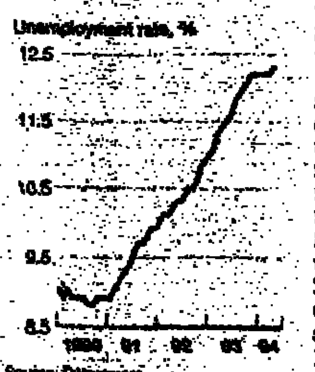
Latvia's government coalition partners appear to have been trounced in Sunday's local elections in preliminary results which suggest a mixture of discontent with economic reforms and wariness about attempts to mend relations with Russia. The pro-monetarist Latvian Way and the Latvian Peasants Union coalition government, which wants better protection for farmers from western competition, have together maintained a course of effective but unpopular financial stabilisation policies. The poll results, which partially benefit more extreme nationalists, may also affect the government's progress in pushing through long-postponed legislation clarifying which non-Latvians (who comprise 48 per cent of the population) qualify for citizenship. *Leyla Boulton, Moscow*

ECONOMIC WATCH

More unemployed in France

France

Unemployment rate, %



Source: Datastream

French unemployment rose to a new record in April, increasing by 4,900 to 3,325,800 or 12.3 per cent of the labour force, according to labour ministry statistics announced yesterday. However, the rising trend in unemployment has slowed markedly from last year, raising hopes for a stabilisation in joblessness. In the first four months of this year, unemployment increased by 23,500, compared with a rise of about four times that amount in the same period in 1993. Yesterday's announcement coincided with more optimistic official economic growth forecasts. Mr Edmond Alphandéry, economy minister, told *Le Figaro* newspaper that gross domestic product this year was likely to exceed the government's 1.4 per cent forecast. Growth could reach the 1.6 per cent-level forecast by the European Commission. *John Ridding, Paris*

■ Industrial sales in the Netherlands rose 3.5 per cent in March from a year earlier and were up 1.3 per cent in the first quarter on a year-to-year basis, the government reported yesterday.

■ Italy's foreign debt has fallen to L150,000bn (£63bn) from L175,000bn at the end of 1992, and a further reduction can be expected in 1994, according to Bank of Italy governor Antonio Fazio.

■ Denmark's current account surplus slipped in February to DKr2.3bn (£237m) from DKr3.3bn the month before, but was unchanged from a year earlier, according to figures from the national statistics agency.

Bich: provided icon of contemporary consumption Sygma

Marcel Bich: a purveyor of the disposable leaves indelible mark

Alice Rawsthorn reports on the death of the creator of the Bic line

There are a handful of businessmen and women in France whose personalities are so powerful that they are deemed by the media to have earned the epithet of *le grand patron*. Baron Marcel Bich was one.

Baron Bich, who died on Monday at the age of 79, was one of the dynamic industrialists who breathed new life into the French economy during the post-war years. He not only created a world-class company in Bic, but his disposable pens, lighters and razors changed the everyday lives of ordinary people by introducing them to a new generation of inexpensive, practical products.

Despite his aristocratic title, the story of Baron Bich is an archetypal entrepreneurial tale. He was born in Turin, the son of an Italian engineer who emigrated to France with his family. The young Marcel took French citizenship as a teenager. He then earned his living as a door-to-door salesman before studying law at Paris university.

Baron Bich worked in Britain in the 1930s, as production director of Stephens & Swan, the stationery manufacturer. But he returned to Paris, where he began his own business after the war. He started off with a small ink factory but in 1953 he scored the coup of his career by buying the patent rights to a ballpoint pen designed by Ladislao Biro, a Hungarian.

The biro's launch brought out the best of Baron Bich as a marketer. His handy 50-centime version of the old-fashioned fountain pen was the perfect product for the never-had-it-so-good consumers of the 1950s, 1960s and 1970s. Roland Barthes, the French intellectual, wrote an essay hailing it as an icon of contemporary consumption. The Bic biro also made the baron one of the few industrialists whose name has slipped into the vernacular.

The Bic group diversified into disposable lighters in 1973 and razors in 1976. The baron then dabbled in acquisitions by buying DIM, the hosiery manufacturer, and Rosy, the lingerie company. But he was far from infallible. His foray into the fragrance market in 1988, with the introduction of Bic perfume, was a flop.

Despite the demands of his business, Baron Bich always conformed to the cliché of the *grand patron* by being a larger-than-life character who lived his life to the full. He had 11 children one of whom, Bruno, succeeded him as chairman of Bic when he reluctantly gave up the reins three years ago.

The baron also loved sailing and raced his yacht, the France, four times in the America's Cup. His press pictures invariably portray him beaming from the helm clad in a spruce linen suit and snowy white cap. It was the closest the media got to him. Baron Bich gave his last press interview in 1969. He did not like what the journalist wrote and saw no need to bother being interviewed again.

Danes question subsidies for E German shipyard

By Hilary Barnes in Copenhagen

Denmark is to take up with the European Commission complaints by the Association of Danish Shipbuilders over the level of subsidies to the MTW shipyard at Wismar in eastern Germany. The Danes fear that subsidies to MTW (now owned by Bremer Vulkan of west Germany) and other yards in former East Germany will put their own yards out of business.

Under the terms of a 1992 European Council agreement MTW was allowed to receive DM1.6bn (£640m) from the EU – DM1bn in investment subsidies and DM600m as an operating subsidy covering the three years 1994-1996. The final tranche of the latter was paid last month. A condition of the operating subsidy was that it should comprise a maximum of 36 per cent of "normal turnover" for the period. Danish shipbuilders claim that the turnover will in fact be much lower than envisaged at the time of the agreement, elevating the subsidy as a share of turnover to a much higher level.

The Danes point out that other European shipyards are not allowed receive a subsidy of more than 9 per cent, and that a serious effort is under way by member nations of the Organisation for Economic Co-operation and Development to agree on abolishing shipbuilding subsidies altogether. They believe the Wismar yard is too big to be able to operate profitably.

Voters divided on EU's important issues

By David Marsh

EUROPEAN ELECTIONS June 9 and 12

Europeans generally favour enlarging the EU northwards and eastwards, but are deeply split over the desirability of deepening integration as laid down by the Maastricht treaty, according to an opinion poll commissioned by the Financial Times.

The poll, carried out for the FT and seven European newspapers, reveals great diversity among the 12 EU member states on attitudes towards the European parliament and the future of European co-operation.

The detailed findings are as follows:

● Only 31 per cent of British people surveyed said they wanted a more integrated Europe, compared with 61 per cent favouring a looser form of European co-operation. Similar votes were seen in east Germany, Denmark and west Germany, where scores were 33 per cent to 62 cent, 26 per cent to 61 per cent and 37 per cent to 58 per cent against Maastricht-style integration respectively. By contrast, between 64 and 72 per cent of respondents in Italy, Netherlands, Spain and Belgium favoured more integration.

● Residents of Ireland and the UK appear to believe most strongly that a single currency in at least three EU states will be established by the end of the century, with 63 per cent and 64 per cent respectively saying they believed this was either "very likely" or "fairly likely". Greatest scepticism in this field came from the "hard currency" countries, with 61 per cent of east and west Germans and 52 per cent of Dutch respondents holding the view that this was unlikely.

● Asked about responses to the conflict in former Yugoslavia, 38 per cent of respondents throughout the EU, spread fairly evenly among the 12, argued in favour of continued diplomatic efforts to end the fighting. Only 16 per cent and 17 per cent respectively called for combat troops or air strikes to bring peace.

● Regarding the European elections, 72 per cent of all respondents said they were "absolutely certain" to vote, while 7 per cent described their turnout as "very likely", 8 per cent as "fairly likely" and 6 per cent as "not very likely".

Only 49 per cent of British said they were "absolutely certain" to vote, compared with 93 per cent in Greece, 89 per cent in Belgium and 83 per cent in Luxembourg (in all three countries, voting is compulsory). By contrast, 76 per cent of respondents in west Germany and 67 per cent of those in east Germany said they were certain to vote.

● Of those "absolutely certain" to vote, 56 per cent of the Irish, 55 per cent of Portuguese and 53 per cent of east Germans said they would do so to support their countries' governments. Only 35 per cent of Britons and Danes and 15 per cent of Belgians gave this as a reason.

A protest vote seems particularly likely in the UK and Spain, where 25 per cent and 23 per cent of respondents respectively said they would vote to voice opposition to their governments.

● Denmark recorded the highest score – 35 per cent – of respondents saying they were not certain to vote because they "do not understand the [European] issues". Others who admitted failure to understand European affairs were the British (32 per cent) and Italians (29 per cent).

● On enlargement, the proposed extension of the EU on January 1 1995 to Sweden, Norway, Finland and Austria is given particular support by west Germans (87 per cent), east Germans (88 per cent), and Italians (86 per cent). Even those most lukewarm on enlargement to the Efta countries – the Spanish and Portuguese – are 70 per cent and 72 per cent in favour.

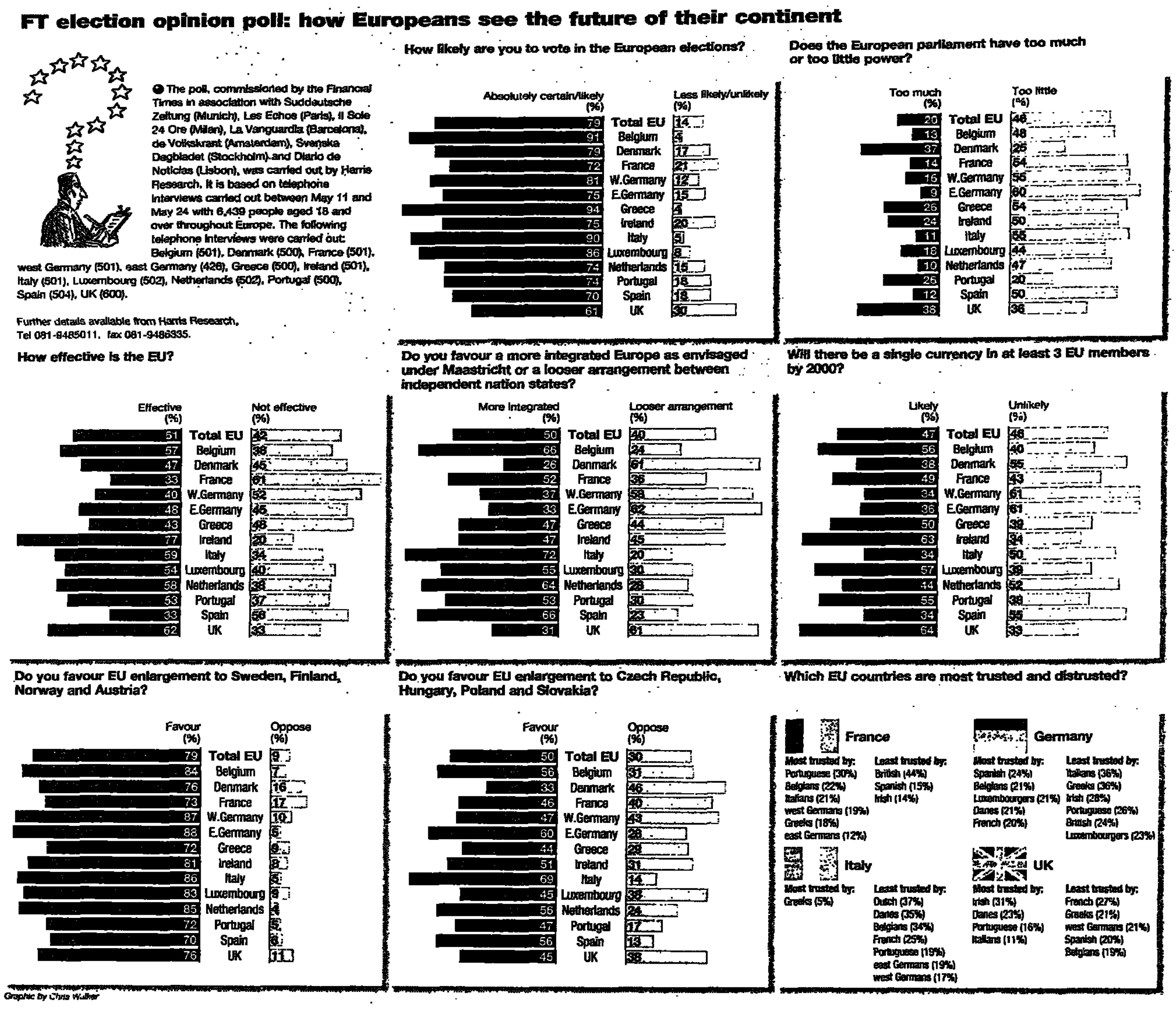
● There is more divergence over enlarging the EU to former Communist countries. The largest scores in favour of bringing in the Czech Republic, Hungary, Poland and Slovakia came from Italy (69 per cent), east Germany (60 per cent), Belgium, The Netherlands and Spain (56 per cent each). The lowest scores were seen in west Germany and Portugal (47 per cent), Luxembourg and Britain (45 per cent) and Denmark (33 per cent).

● British and Danish respondents stood out as thinking the European parliament has too much power, with 38 per cent and 37 per cent of respondents respectively holding this view. By contrast, 60 per cent of east Germans, 55 per cent of west Germans and Italians, and 54 per cent of Greek and French respondents said parliament has too little power – a view held by 46 per cent of respondents throughout the EU.

● Britons and Danes also believe the European Commission is too powerful, with 58 per cent and 51 per cent of respondents taking this line.

The main defenders of the European Commission seem to be the east Germans, Spanish, Italians and Belgians – between 40 per cent and 43 per cent of these respondents say the Commission has too little power.

FT election opinion poll: how Europeans see the future of their continent



A case of mind over doesn't matter

By John Ridding in Paris

To stand, or not to stand? The question is taxing and dividing a group of French intellectuals who had pledged to run in the European parliamentary elections on a ticket which supports Bosnian Moslems.

Professor Leon Schwartzenberg, a cancer specialist and the head of the "Europe begins in Sarajevo" list told RTL radio yesterday that he would press ahead with plans to contest the June 12 vote. His statement followed an announcement on Monday by members of the movement that they would not contest the elections, having already publicised their call to lift the arms embargo on Bosnia.

"We do not have the right to play with institutions," said Prof Schwartzenberg, referring to the fact that election lists cannot be withdrawn once they have been registered with the Interior Ministry. But he admitted that it was unlikely that there would be ballots for the movement at all polling stations. His comments will cause concern for the Socialist party, which appears most at risk from the Sarajevo candidates' 12 per cent in recent polls.

The U-turns of the past few days, however, reveal the divisions among France's intellectuals. Prof Schwartzenberg is at odds with several other members of the movement, including Mr Bernard-Henri Lévy, a left-bank Paris philosopher turned film-maker, who has been the driving force behind "Europe begins in Sarajevo".

His film, Bosna!, which was released at the Cannes film festival earlier this month and which dramatises suffering of residents of Sarajevo, prepared the way for the launch of the movement. But Mr Lévy and his supporters voted in favour of a withdrawal of the Sarajevo slate at the European elections, arguing that the plight of Bosnia had been raised and that it would continue to campaign for an end to the arms embargo by other means.

Mr Schwartzenberg, however, sees it differently. True intellectuals, he said, such as Jean-Paul Sartre and Albert Camus would not have withdrawn at the last minute. He criticised his opponents within the movement for seeking "personal publicity" and said that they had never intended to go as far as the elections.

Bavaria's bogeymen in retreat

The far-right's main hope lies in a low turnout on polling day, writes **Quentin Peel**

On the side of a shabby truck parked under the medieval clock on the town hall in Munich's Marienplatz a poster was tacked up with a picture of a miserable looking cow in the German national colours.

Sucking away at its udders were 11 other member states of the European Union, and the slogan simply said: Stop It!

As the tape-recorded strains of a brass band faded away from the speakers, Mr Wolfgang Hüttl, Bavarian chairman of the far-right Republicans and candidate for the European parliament, warmed to his theme.

"We have had a belly-full of paying for Europe and the rest of the world," he shouts.

He has to shout, because his speech is being drowned out by a barrage of whistles and cat-calls from an audience dominated by political opponents from the left and the far-left, and a handful of bemused-looking tourists.

The only supporters seem to be a few caricatures of heavy bodyguards surrounding the truck, and a handful of elderly sympathisers at the front.

Munich is home base for the Republicans and their leader, Mr Franz Schönhuber, and Bavaria is the state where the far-right bogeymen of German politics shocked the political establishment by winning almost 15 per cent of the vote in the last European elections.

Five years later, and they seem to be having a lot more trouble getting their message across.

The rhetoric is anti-European integration and solidly nationalist. Yet the party really has no proper European election programme, apart from opposition to the Maastricht treaty and Germany's hefty net contributions to the EU budget. Between the lines, the real theme is anti-foreigner and anti-immigration.

Mr Schönhuber's hopes of exploiting the issue as successfully again have been hit by two factors: all the main political parties have successfully negotiated a constitutional compromise, which has radically reduced the number of asylum-seekers flooding into the country; and at the same time his party has been tarred with the brush of violent attacks on foreigners.

"The overall number of foreigners is too great, that is the impression of the people," says Mr Hermann Regensburger, state secretary in the Bavarian interior ministry. "There are pressures on the housing market and in the labour market. There are sometimes more than 50 per cent foreign children in individual schools."

Since the asylum compromise came into effect last July, however, the monthly numbers of asylum seekers have dropped by more than 60 per cent. Now there is no automatic right to asylum in Germany if the applicant has come from a country classified as having no political persecution, or if he or she has passed through a third country on the way.

"The Republicans are fighting their campaign primarily on the theme of foreigners, mixed with the theme of law and order," says Mr Regensburger.

"When the call comes: 'Foreigners out!' they always get big applause. But the people have realised now that the big parties are capable of acting. The situation has got considerably better, both in reality, and in the mood."

Ms Renate Schmidt, the leader of the Social Democratic party (SPD) in Bavaria, is not inclined to underestimate the threat yet. "There is a lot of support for the Reps amongst people who are discontented," she says. "Many are on social assistance, unemployed or homeless. The discontented used to drift left, and now they are drifting right. It is the same as in Britain and France." She agrees, however, that the "sting has been taken out of the asylum issue" thanks to the drop in numbers. The real danger in the European poll is simply persuading voters to turn out.

"I think we will have difficulty getting people to the polls at all," she says. "I think we will be pleased if we get 60 per cent turnout in Munich."

The turnout will also be a key issue for the ruling Christian Social Union (CSU) in Bavaria – because the party needs a high vote in its home base to cross the 5 per cent hurdle needed nationally for winning seats in the European parliament.

The party has been forced to adopt a harsh line on immigration and a Euro-sceptical line on Maastricht to head off the challenge from Mr Schönhuber and other assorted protest movements. But at the end of the day, the turnover will count.

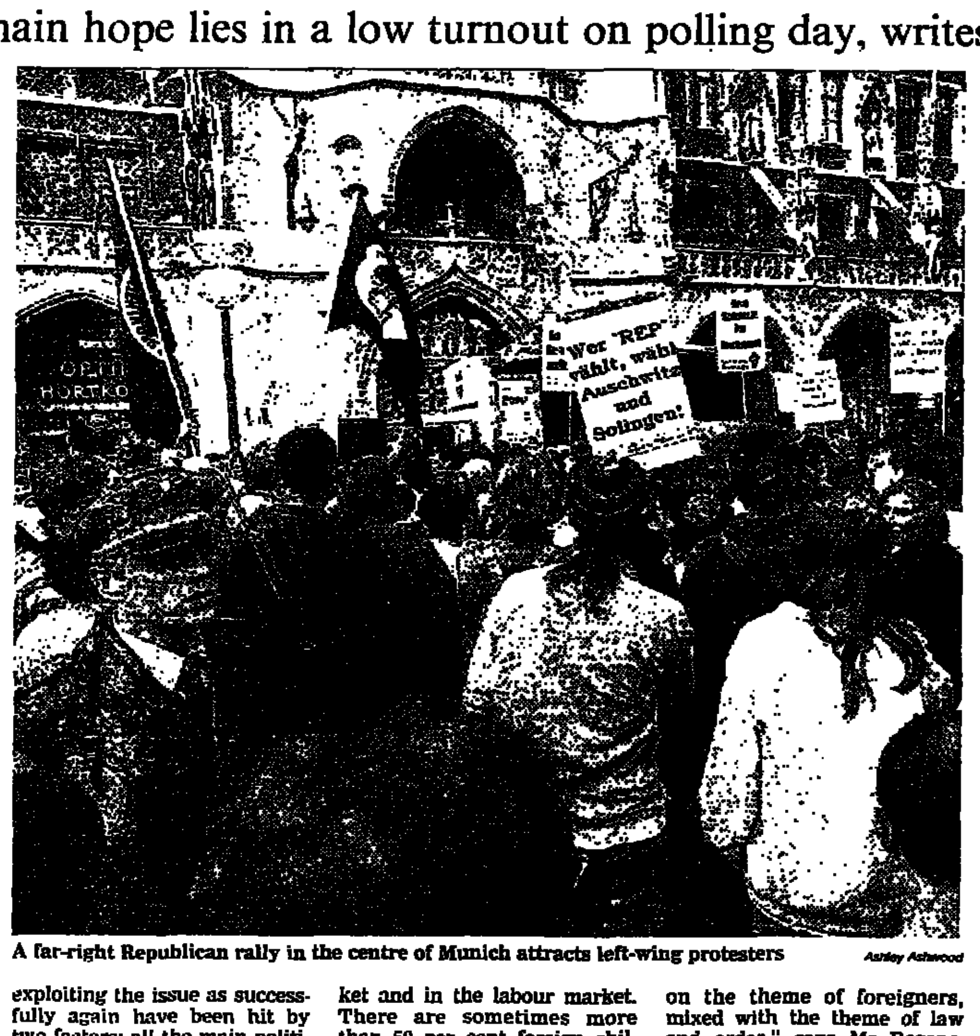
Mr Ingo Friedrich, the party's lead Euro-candidate, says they will have to win 40 per cent to get in, and higher still if the Bavarian turnout is down.

In spite of his party's Euro-scepticism, he argues that immigration and organised crime can only be tackled on a European level – through cross-border co-operation.

"The argument against Schönhuber is that we need a European police," he says. "That is very popular."

"We argue that the Republicans don't belong to the ranks of respectable parties. We can also point to their voting record in the European parliament.

"They are lazy and have done nothing. The German voters don't like to see that."



A far-right Republican rally in the centre of Munich attracts left-wing protesters *Ashley Ashwood*

EU vision with more realism than romance

QUESTIONS ON EUROPE

Abel Matutes, 52, the outgoing European commissioner for energy and transport, now heads the list of European parliament candidates for Spain's Popular party, the conservative opposition, which is tipped in the polls for first place.

Q: Who would swap a post in the European Commission for a seat in the European parliament?

A: Someone who is convinced that at this moment my job is to lead the European list because of the great political significance of these elections.

Q: What will the big themes of this campaign be?

A: We have to make European integration compatible with a more realistic and firm defence of legitimate national interests. We have to get away from a simple romantic vision of Europe, because Europe will only be built solidly on the basis of realities. And if in the end the sums do not work out for the Spanish in this integrated Europe, the very process of European integration will be at risk because Spaniards will lose sympathy and reject it. This firmer defence of national interests has two dimensions. One is a more effective presence in European institutions in Brussels, but there is also an internal dimension – better European policy implies a good economic policy in Spain. Competition in the single market is not only between companies – a Spanish company against a German or a French company – but also between the economic policies of all the member states.

Q: Do you think European issues will really be aired in this election? The campaign seems to be wholly focused on internal politics.

A: I try to air them. But I have to admit internal politics are the only theme that ultimately interests people.

Q: Do you believe the European parliament should have more powers than it does now?

A: The parliament had its powers considerably reinforced in the Maastricht treaty. It is now not just a budget chamber, but also a legislative chamber. Obviously, its sovereignty is shared with the council of member states, which also represents democratic governments. That is just where the difficulty lies. First of all, the parliament should concern itself with those questions in which it has competence, to demonstrate not only that it deserves these powers but also that it needs more. I would like to have parliament to have more powers, but let's try first with what we have, which is a new instrument.

Q: Most of the candidates on the lists are unknown figures, and are likely to remain so even after they are elected. Do you agree with the list system?

A: I have always preferred a system of individual constituencies because it makes members of parliament work harder for their seats. But in Spain we have a proportional system. Here the question is whether there should be a single national constituency or smaller ones. I think the electoral district should be the whole country rather than regions, because this provides a national dimension.

Q: How do you see the impact of EU enlargement on Spain?

A: I am worried about it, because I am afraid the government, during the recent boom, failed to take adjustment measures and to make our economy more competitive.

Abel Matutes: at head of Spain's Popular party list *Ashley Ashwood*

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Decline has stopped but months of conflicting economic signals are predicted

Japanese recession bottoming out

By William Dawkins in Tokyo

Further evidence that the Japanese recession has hit bottom emerged yesterday, with a slight easing in unemployment and an official forecast of an improvement in business conditions.

Yet economic analysts warned that there were no signs yet of a clear recovery and that several months of conflicting economic signals could be expected as the economy bumps along the bottom.

The state Economic Planning Agency's leading index of business conditions hit 90.09 in March, rising from 54.2 in February, the third month at which it has stayed above the 50 dividing line between growth and contraction.

The index, designed as a barometer of business conditions up to six months ahead, has proved erratic in the past. Yet it was unusually consistent in March in that all but one of the index's 13 components improved, except for commercial property, where the market continues to weaken.

"It confirms that the decline has stopped, but it does not mean that the economy is going up. Capacity is still increasing faster than demand," warned Mr Hirohiko Okumura, chief economist at Nomura Research Institute.

Mr Brian Rose, senior economist at Daiwa Institute of Research, said: "We hit the bottom in the fourth quarter of last year. Nothing since then has changed that view. The recovery is weak, so we won't yet see a series of figures clearly pointing upwards."

The EPA itself was even more cautious and warned that it was too early to say whether the worst was over.

Japan's jobless rate fell to 2.8 per cent in April, from 2.9 per cent in the previous month, the Management and Co-ordination Agency announced yesterday. But again the improvement is fragile, in the light of the labour market's continued weakness. There were only 66 jobs available for every 100 applicants last month, the same as in March and only a small improvement from the low of 65 last December.

Manufacturing industry is the hardest hit, where the workforce declined by 1.1 per cent from April 1993, for the sixth month running. Within this, there was one bright sector, construction, where the numbers employed rose by 3.2 per cent in April, propelled by a recovery in housing starts, up 11.5 per cent in the same month, according to the Construction Ministry yesterday. Housing starts dipped by 0.7 per cent in March.

Overall, 65 per cent of Japanese companies reduced overtime last year because of the recession, according to a survey by the Leisure Development Centre, a state research body.

Tokyo takes step forward on optical fibre highway

By Michiyo Nakamoto in Tokyo

Japan's Posts and Telecommunications Ministry yesterday took its ambitions to build an information superhighway a step forward, with the announcement of a three-stage plan to lay optical fibre throughout the country, with 100 per cent population coverage by the year 2010.

The ministry's vision, based on a government advisory panel recommendation, calls for laying optical fibre to connect 20 per cent of the population within six years, extending that to 60 per cent by 2005, with nationwide hook-up over the following five years.

The laying of the infrastructure will be entrusted to telecommunications companies and cable television network operators. The government should provide support in the form of interest-free loans and tax incentives to encourage investment in the infrastructure, the report says.

"During the network's preliminary stage, it is important for the government to play a leading role in triggering future development, particularly with regard to the development and introduction of public applications," the panel's report states.

The ministry plans to put public network applications into practical use by the year 2000, and intends to ensure budgetary allocation will have high priority.

A pilot project to test applications of multimedia services such as video on demand, via fibre to the home, will begin in the Kansai area around Osaka in July. The ministry estimates the cost of laying optical fibre cable to homes could total Y33 trillion ($314bn) at the least, but believes the information superhighway will generate markets worth Y123 trillion and create about 2.43m jobs.

It is studying the benefits which multimedia services offer a society such as Japan's: heavily populated, concentrated in urban areas, experiencing structural industrial changes, and rapidly ageing.

NZ 'heads for first budget surplus in 17 years'

By Terry Hall in Wellington

New Zealand will show a budget surplus of NZ$420m ($246m) for the year to June 30, the first it will have achieved for 17 years, Mr Bill Birch, finance minister, said yesterday.

The forecast is a sharp turnaround from the Treasury prediction made last October before the general election which returned the National party government.

The Treasury then had predicted a deficit of NZ$1.4bn for the June year.

Mr Birch said that because of the rapidly improving economy, tax receipts would be NZ$2bn higher than expected, while government spending and other costs had been held down.

The projected surplus was the latest in a string of good news items on the New Zealand economy. Other recent statistics have shown a steady improvement in the balance of payments, continued low inflation, and strong job creation.

National Bank, a Lloyds Bank subsidiary, in its latest survey released yesterday, reported that business confidence remained buoyant.

Optimism was increasing in the more densely populated North Island, which until now had been slower to enjoy the economic revival.

● Two former senior executives of Fortex, a collapsed New Zealand meat company, were yesterday charged with 27 accusations of fraud totalling NZ$42m. The charges included publishing a false statement.

They were Mr Graeme Thompson, the chief executive and a former New Zealand Businessman of the Year, and Mr Michael Millin, general manager for finance.

The Securities Commission and other New Zealand authorities are investigating the company, whose sudden and unexpected collapse in March saw suppliers, farmers and other lenders lose up to NZ$160m.

Fortex was known internationally for developing new slaughter operations and 24-hour production in an industry that for decades had been in the grip of tough unions.

It had an international marketing network, with plans to open a slaughterhouse in Britain.

Mr Alan Isaac, the receiver, says he has had over 40 expressions of interest in the company's two plants which are being offered for international tender. They are worth an estimated NZ$100m.

Filipinos link arms to escort foreign delegates to attend a human rights conference on East Timor in Manila yesterday. The Philippine Supreme Court yesterday cleared the way for the conference to open on schedule. It overturned a decision by a lower court that in effect banned the conference.

Indonesia, accused by human rights groups of widespread killings, torture and detentions since it annexed East Timor in 1976, has bitterly opposed the privately organised conference. Bending to this pressure, President Fidel Ramos's government banned foreigners from attending and expelled 11 of them, but about 25 delegates managed to slip through. Picture Reuter

Rift widens with international creditors ahead of scheduled visit by team from IMF

Nigeria tightens direct controls on foreign exchange

By Paul Adams in Lagos

Nigeria's military regime has increased direct control over scarce foreign exchange and export finance despite opposition from Mr Kalu I. Kalu, finance minister, and Mr Paul Ogwuma, central bank governor.

Increased state regulation of the economy has also widened the rift between Nigeria and its international creditors ahead of a scheduled visit this month by an International Monetary Fund team.

This week, ministers are allocating $15m out of a fortnightly average supply of $100m, to companies for priority imports, mainly food. They say this is to prevent shortages in the shops later this year and correct distorted demand.

A committee chaired by Mr Samuel Ogbemudia, labour minister, including Mr Iyorchia Ayu, education minister, and Mr Aremu Yahaya, junior transport minister, is expected to allocate most of the foreign currency for food importers to undisclosed companies.

"Something has to give soon," said Mr Kalu in an interview in the capital Abuja. "At the end of June I plan to hold a mid-year review of the economy. I want to review foreign exchange restrictions, the cap on interest rates and other controls, and look at ways to reduce bureaucracy and create incentives for producers.

"We need to create the minimum framework for resuming talks with the international creditors."

Other critics regard the direct allocation as creeping towards the import licence system, notorious for its corruption in the 1980s. "In our experience, this does not solve the problem," Mr Rasheed Gbadomosi, Nigerian Industrial Development Bank chairman, said yesterday. "It can lead to accusations of abuse of power and is straying from the fundamental problem: the low supply of foreign exchange. While non-oil exports are depressed, they will just be rationing the misery."

Mr Kalu and Mr Ogwuma have failed to block transfer of control over the Nigerian Export-Import Bank (Nexim-bank) from the central bank to the ministry of commerce and tourism and the appointment of Mr Tony Adaba as its new managing director. Both decisions were authorised by the presidency. "This is a financial institution, not a trade promotion council. It should be under the central bank," Mr Kalu said.

The cocoa industry is concerned about the security of $10m which industry operators say is owed to farmers. The sum is left over from a levy by the International Cocoa Organisation which had not been remitted by the government when the levy ceased in 1990.

NEWS IN BRIEF

S Africa rejoins Commonwealth after 33 years

South Africa is today to become the 51st member of the Commonwealth, rejoining the grouping from which the then white minority government withdrew 33 years ago after declaring a republic, Our Foreign Staff writes.

Chief Emeka Anyaoku, Commonwealth secretary general, said the admission of a non-racial South Africa following democratic elections in April would assist in "making the world safer for diversity". The organisation planned to co-sponsor a conference with the United Nations in mid-September for potential donors "to help South Africa make up for the huge gaps made by years of apartheid".

Yesterday the country also joined the Non-Aligned Movement of developing countries as delegates began a conference in Cairo. Taking his seat Mr Alfred Nzo, South African foreign minister, committed his country to share its economic, technological and scientific skills with developing nations, particularly in Africa.

UN goes to Rwanda camp

The United Nations sent investigators yesterday to a camp in government-held territory in Rwanda where aid workers said 500 people were massacred, Reuter reports from Kigali.

Rebels and government troops resumed fighting despite talk of a truce and UN officials and witnesses reported that an officer serving with the UN force was killed by a mortar blast just inside the government-held part of the capital, Kigali.

The reported massacre was the latest indication that mass killings were continuing in the central African nation, where half a million people are estimated to have died in seven weeks.

Libya pulls out of Chad land

Libya and Chad said in a joint statement yesterday that Libya had completed its withdrawal from the Aouzou Strip, which it had occupied since 1973, Reuter reports from Tunis.

Chad state radio said Mr Abderamane Miskine Izzo, interior minister, other Chadian officials and United Nations observers had witnessed the handover by Mr Omar al-Montasser, Libya's foreign minister. The 110,000 sq km region is thought to contain oil and uranium. Chad and Libya twice went to war over the strip. In February the International Court of Justice ruled it belonged to Chad.

Boost for HK property

Hong Kong's property market, under scrutiny by the government, has received a boost following the sale of the New Territories' San Miguel Brewery site for HK$3.5bn ($450m), sharply above market expectations, writes Louise Lucas in Hong Kong.

The 494,700 sq ft site went to Diamond Hill Development, a vehicle in which Wheelock, Wharf Holdings and Hong Kong Realty and Trust have equal shares. Both Wharf and Hong Kong Realty are partly owned by Wheelock.

Uncertainty has hovered over the market since March, when Mr Chris Patten, the governor, announced his intention to look at means of controlling prices amid concerns that home ownership was beyond the reach of many families.

Manila trade deficit up 30%

The Philippines posted a trade deficit of $1.66bn in the first quarter, up 30 per cent on the year before, as total imports continued to grow at a faster rate than exports, writes Jose Galang in Manila.

The central bank said yesterday that total imports rose 22 per cent to $4.58bn while exports increased 18 per cent to $2.92bn.

Taiwan budget trimmed

Taiwan's legislature has trimmed the government's proposed 1994-95 budget by 2.15 per cent, including a cut of $203.7m in defence spending, AP reports from Taipei.

Defence spending will none the less take 24.5 per cent of the total, up from 23 per cent in 1994.

Amnesty hits at China

Amnesty International, the human rights group, demands today that China release political prisoners and end torture in its prisons, saying thousands arrested in the crackdown five years ago continue to be imprisoned and in some cases maltreated, Reuter reports from Beijing.

In a report issued to coincide with the fifth anniversary of the bloody army attack that crushed pro-democracy demonstrations in Beijing's Tiananmen Square on June 4 1989, " the London-based group said: "Arbitrary arrests, unfair trials and torture continue to be widespread and the death penalty is used extensively for a wide range of offences."

Pragmatism and opportunism, but no programme yet

Nikki Tait on Australian opposition leader Alexander Downer, one week on

Only hours after Mr Alexander Downer took over as leader of Australia's opposition Liberal party, a public opinion poll had him nine points ahead of Labor's incumbent, Mr Paul Keating, as the electorate's preferred prime minister.

Nearly 60 per cent of voters polled also thought an opposition led by Mr Downer had a better chance of beating Mr Keating's Labor government than one led by Mr John Hewson, Mr Downer's ousted predecessor. "Not so much a honeymoon – more of a love-in," remarked one commentator.

Sustaining this boost to the opposition's fortunes and capturing it in an appealing manifesto will prove more difficult.

For, while media attention has been concentrated on the Liberals' leadership crisis and the recent personality jockeying, the party has faced a policy void ever since it lost the last election, in March 1993.

Going into that vote, the opposition's position was clear enough. Mr Hewson, a career economist before his switch into federal politics, had spelt out a free-market economic reform package which was far more extensive than anything Labor proposed.

According to a party policy document called Fightback! a Hewson government would have moved swiftly to deregulate Australia's labour markets, largely eradicating compulsory arbitration and occupational awards; switched the taxation emphasis from direct to indirect via the introduction of a goods and services tax (GST); and, in all likelihood, passed control of monetary policy to an independent central bank.

But the prescription apparently proved too strong for an Australian electorate, squeezed by recession and fearful of the GST. Largely as a result of this, the opposition lost a supposedly "unlosable" election.

Today, the question is what sort of policies Mr Downer can articulate without running into the more moderately paced reforms pursued by Labor.

In his first week, the new opposition leader has given few direct hints – except to suggest that rigid ideology will be low on the agenda. Immediately after the leadership ballot, he refused to be drawn on specific policy issues, saying only that a "directional document" would be issued in the next few months. Even that would centre on broad guidelines, rather than detailed strategies.

"[This] is not an ideological party, or a frightening party... it is a practical, commonsense party and we will address issues in a practical, commonsense way," he said.

Commentators also struggled to read much into the revamped shadow cabinet, announced on Thursday. There was an inevitable preference for either Mr Downer's supporters or those of Mr Peter Costello, who joined Mr Downer on the "youth ticket" and becomes shadow treasurer. But Mr Hewson stays on, as industry spokesman.

Overall, the team is thought to be "drier" than that of Mr Hewson, but Mr Downer himself has indicated that it was picked primarily with a view to giving Labor a rough political ride, rather than because of its ideological affiliations. Shadow ministers, he said, would have to be "strong in terms of their attack on the Labor party, in exposing the weaknesses of the Labor government".

As for Mr Downer himself, he comes into the Liberal leadership position with little ideological baggage. His most recent job was shadow treasurer, articulating the opposition's economic policy, and he is widely thought to have handled the task well.

But for much of the time, the Downer programme was to acknowledge Australia's increasingly cheerful economic numbers, and then poke holes in Labor's response to them. This approach had the merit of making Mr Downer appear fair-minded, while throwing the spotlight on the weaker points – such as lagging business investment – in the Keating strategy. However, for the most part, it was an effective piecemeal attack, rather than a comprehensive statement of alternative policy.

That said, some economic cornerstones were established, and will probably form the basis for policy development in the months ahead. Mr Downer has, for example, consistently suggested that the financial leeway afforded to the government from Australia's faster-than-expected economic recovery should be used to reduce the budget deficit. Failure to do so, he has warned, will intensify the upward pressure on interest rates, and discourage the corporate sector.

He has also highlighted Australia's low household saving ratio as a critical area of concern. Lack of domestic savings, he has warned, is likely to exacerbate balance of payments problems, and fuel a "boom-and-bust" economy.

Other key policy elements are likely to include measures to encourage investment by small businesses, and a few of the former Fightback! features – such as faster micro-economic reform in areas like the labour market, where the government's new industrial relations law is coming under heavy attack from employer groups, and greater independence for the Reserve Bank.

But there are also indications that the opposition's future policy emphasis will be wider ranging, putting additional weight on social issues, not just economic ones. On one level, a change of tack is almost certainly wise: the economy has been recovering strongly.

But on the broader plane, there are some large lacunae in Liberal party policy. For example, its handling of the high-profile and emotionally charged "Mabo" issues – the land rights and compensation entitlements of Australia's indigenous peoples – has been disastrous, with the party appearing both callous and inconsistent.

The Labor government can also fairly claim to have taken a formidable initiative on Australia's chronic unemployment problem, with a recently announced A$6.5bn ($4.65bn) jobs programme.

Last week, Mr Downer quickly took a tough line on immigration while unemployment remains high. This appears to be of growing concern to voters, although the proposed modest increase in this year's migrant intake will largely be filled by Chinese in Australia at the time of the Tiananmen Square massacre.

The new opposition leader also trod a shrewd line on the republic debate, suggesting that constitutional change was more likely under a Liberal government, while also saying he felt that such a change was too complex.

One week on, then, pragmatism and opportunism seem to be the order of the day for the new opposition leader. But whether they eventually add up to a coherent package which the electorate will buy, remains to be proved.

Slower US growth eases economy fears

By George Graham in Washington

New signals of slowing economic activity yesterday took the edge off remaining fears that the US economy might be growing at an unsustainable pace.

The Commerce Department reported that disposable personal incomes fell by 0.2 per cent in April, while spending on personal consumption fell by 0.1 per cent.

Higher wages and salaries raised total personal income by 0.4 per cent, a more modest gain than in recent months, but increased tax payments as last year's budget took effect on higher income taxpayers depressed disposable income.

At the same time, the Commerce Department said sales of new homes fell by 7 per cent in April to a seasonally adjusted annual rate of 683,000 homes, while consumer confidence dipped sharply, according to the Conference Board's May index.

"What we are seeing is that the economy was growing faster than could be internally sustained, particularly in the consumer sector, and now it is slowing to a pace which is more sustainable," said Mr Bruce Steinberg, manager of macro-economic analysis at Merrill Lynch, the US stockbroker.

Yesterday's data followed an unexpected upwards revision on Friday in the Commerce Department's estimate of growth in the first quarter, to an annualised rate of 3 per cent.

Although the US economy is expected to show stronger growth in the second quarter than in the first, as the country shakes off the frosts of January and February, it is also starting to feel the effects of a series of interest rate increases by the Federal Reserve Board.

April's drop in home sales showed the impact of rising interest rates on the construction sector, even before the Fed's most recent half percentage point rise two weeks ago.

The Conference Board's consumer confidence index, which dropped to 87.6 in May from 92.1 in April, also appears to reflect a reaction to higher interest rates.

Mr Alan Greenspan, the Fed chairman, came under fire last week from senior Democratic senators who complained that he was stamping out the recovery by raising interest rates long before there were any real signs of inflation.

But most private sector economists still see a strong pace of growth, and will be looking more closely at today's purchasing managers' index and Friday's report on employment in May than at yesterday's signals of slowdown.

"We are slowing from a 5 per cent pace of growth at the end of last year, and I think there is still some ambiguity over whether we are slowing to a little under 3 per cent or a little under 4 per cent. Our view is that the slowdown is only gradual," said Mr Robert Mellman of J.P. Morgan, the New York bank, which is forecasting a 6 per cent growth rate in the second quarter, slowing to a rate of 3.5 per cent by the end of the year.

Zapatistas to vote on 'final' peace accord

By Damian Fraser in Mexico City

The leaders of Mexico's rebel Zapatista Army of National Liberation say that they have finished consultations on the government's proposed peace agreement and that their supporters will now begin voting on the accord.

The rebels began internal consultations after the government proposed a 32-point peace plan at the beginning of March, but these were suspended after the assassination of Mr Luis Donaldo Colosio, the ruling party's presidential candidate, on March 23. They resumed at the end of April.

The government promised in its peace offer to redistribute land in the southern state of Chiapas, where the rebels launched their rebellion on New Year's Day, and implement potentially far-reaching judicial and social reforms in the state. It also said it would give increased protection and rights for the Indian population.

Although the agreement did not directly meet the rebel demand for national democratic reforms, such concerns were simultaneously negotiated with opposition parties.

While the Zapatistas are not expected to break a ceasefire in place since early January, most observers doubt they will accept the peace offer without conditions.

Rebel leaders have been suspicious of the government's willingness to implement the accord, and have previously indicated they will not approve an agreement at least until this August's presidential election, as a way of maintaining pressure on the government to hold fair elections.

The vote on the agreement by rebel supporters will take place in the region of southern Chiapas under Zapatista control.

It is expected that the voting process will take some time, and no date has been fixed for a final result.

The Zapatistas claimed that the vote would be "free and democratic" but have now closed the territory under their control to the press and outside observers.

● Democratic Congressman Robert Torricelli says he sees no quick end to the uprising in Chiapas and warned it could spread, Reuter reports from Mexico City.

The New Jersey representative said on Monday the problems of poverty and corruption that produced the uprising in Chiapas existed elsewhere in Mexico and this could lead to more violence.

States tell cigarette makers to cough up on health costs

Richard Tomkins reports on fresh legal attacks by Florida and Mississippi that, if successful and replicated, could force the cigarette manufacturers out of business

Chiles: after 'Marlboro Man'

The US tobacco industry is under fresh attack. In the last few days, two states – Mississippi and Florida – have announced plans to take US cigarette manufacturers to court in an attempt to recoup costs incurred in treating smoking-related diseases under medical assistance programmes such as Medicaid.

The sums the states are seeking are vast: Florida says smoking-related illnesses have cost the state at least $1.2bn in medical costs since 1989. If its legal action succeeds, and other states do the same, the cigarette manufacturers could be forced out of business.

In its intensifying war against the tobacco industry, the US anti-smoking lobby has backed many attempts to sue cigarette manufacturers for the health costs associated with smoking. All efforts have failed: the industry has yet to pay a cent in damages.

But these latest cases are different. Earlier suits were brought against manufacturers on behalf of individuals or groups of individuals seeking compensation for their suffering. Mississippi and Florida are not representing individuals: they are asking the industry as a whole to reimburse them for the direct economic costs of treating smoking-related diseases.

The distinction is important because it could deny cigarette makers the opportunity to deploy some of their most powerful defences. In previous cases, manufacturers have successfully argued that individuals who smoke knowingly assume all the risks associated with the habit; that those who become ill cannot conclusively prove that smoking was the cause; or that no one can be sure which manufacturer's cigarettes caused the illness.

Mississippi believes it will overcome these defences by filing a claim against all 13 US cigarette manufacturers seeking reimbursement of the health costs it incurs in treating smokers. If it wins, the damages will be split between the companies according to their market share.

"This lawsuit is premised on a simple notion. You caused the health crisis: now you pay for it," Mr Mike Moore, Mississippi attorney general, said.

Florida has gone further by signing into law an act that will specifically deny cigarette manufacturers the right to deploy their traditional defences, arguing that they are irrelevant to the issue of how much the state pays out to treat smoking-related diseases. This will greatly enhance the prospects of a successful suit.

"We're going to take the Marlboro Man to court," said Florida's Governor Lawton Chiles, who is running for a second term in office.

The moves by the two states come against a background of growing hostility to smoking in the US from anti-smoking groups, government officials and legislators at local and national level. Ms Jennifer Lew, managing attorney at the Tobacco Products Liability Project, a Boston-based anti-smoking group, says: "I think the tide has turned so that this sort of legislation has become politically palatable."

Even so, some are concerned about the implications. Associated Industries of Florida, a business organisation for the state, says the principles enshrined in Florida's new legislation could easily be extended to the manufacture of dairy products, sugar, pharmaceuticals or cars. It says it will fight for a repeal.

The cigarette manufacturers will also fight the legislative moves. They will almost certainly challenge the constitutionality of Florida's new law; and in the event that any suit succeeds, they will almost certainly appeal. Ms Lew acknowledged that it could be years before the first case is settled.

Financially, that may be no bad thing. Like other states, Florida does well out of cigarette sales. Officials concede that the $1.2bn it has paid out in medical costs in the last five years is not as much as the $2bn it has collected in taxes on cigarettes.

Brazil fails in bid to update constitution

By Angus Foster in São Paulo

Brazil's attempt to update its constitution ended largely in failure yesterday, highlighting the weaknesses in the country's political system.

The constitutional revision process, under way in Congress since October, has failed to make any of the important changes most analysts believe are crucial for the government to regain control of the economy.

Reforms to the tax, social security and government spending regimes failed to win congressional support. As a result, the country's next president – due to take office in January – will continue to face serious problems balancing the budget and tackling inflation.

Congress also failed to pass reforms opening the economy to foreign investment and easing constraints on foreign companies in the mining sector.

The revision failed partly because of political corruption hearings last year, which sometimes bought congressional business to a standstill. More importantly, congressmen were not prepared to vote on controversial issues in an election year.

Brazil also lacks an efficient party political system to force congressmen to attend sessions. This led to delays in the revision process.

Mr Nelson Jobim, in charge of the revision process, said he was leaving Congress after the elections, mainly because of disappointment at the revision's failure.

Congress did make some changes to the constitution, which was adopted in 1988 in a backlash against two decades of military dictatorship, but has since been criticised as highly idealistic. The most important change was approval of a two-year emergency social fund, designed to bring short-term relief to the government's finances. But without longer term reforms to the tax and social security systems, the fund is very limited in scope.

A second change, reducing future presidential terms from five to four years, again showed the depth of Brazil's political problems. Congress approved the measure to make presidential terms the same as Congress. But a proposal to allow presidents to seek re-election was rejected, mainly because Congress and state governors fear any one party controlling government for eight years.

As a result, future presidents will have only four years to carry out their programmes, scarcely enough in Brazil's ponderous politics.

US resumes Japan insurance talks

Michiyo Nakamoto in Tokyo

The US and Japan will have their first opportunity to put their newfound co-operative spirit to the test when they resume talks in Washington today on access to Japan's insurance market.

The insurance sector will be the first specific issue the two countries will tackle since they agreed earlier this month to try to negotiate a framework for opening Japanese markets to foreign goods and services and to reduce Japan's current account surplus.

The US has argued that Japan has structural barriers and regulations which hinder foreign penetration of the insurance market.

Japan maintains that its insurance market is already quite open.

Brittan says No to job as WTO chief

By Frances Williams in Geneva and Ian Rodger in St Gallen

Sir Leon Brittan, EU trade commissioner, moved swiftly yesterday to damp speculation he could be in the running to head the new World Trade Organisation in Geneva, due to come into force at the beginning of next year.

Mr Peter Guilford, his spokesman, said Sir Leon "has no interest in the job and can foresee no circumstances whatsoever under which he would be interested".

There was speculation at the EU's Brussels headquarters that the linking of Sir Leon's name with the WTO vacancy was "French mischief", part of a campaign by Paris to ditch Sir Leon's candidacy for the European Commission presidency. France is backing Mr Jean-Luc Dehaene, the Belgian prime minister, to succeed Mr Jacques Delors.

Sir Leon's name is not among those circulating in Geneva as serious contenders for the WTO post, who include Mr Renato Ruggiero, former Italian trade minister and now deputy chairman of Fiat, Mr Rubens Ricupero, Brazilian finance minister, and Mr Philip Burdon, trade minister of New Zealand.

Trade officials take a cool view of suggestions that the WTO might be some sort of consolation prize for failed candidates elsewhere. Lord Lawson, who is bidding for the OECD top job, has also been mentioned as a possible WTO chief.

Mr Peter Sutherland, whose decision to step aside as director-general of the Gatt has created the WTO vacancy, is being mooted as a possible compromise choice as European Commission president. Mr Sutherland, who is Irish, has denied seeking the job.

The workability of the new WTO will be established quickly through the use of its trade disputes procedure, according to Mr Sutherland.

Brittan: he is quoted by his spokesman as having "no interest in the job" Ashley Ashwood

US starts talks on workers' rights

By Frances Williams in Geneva

US trade officials said yesterday they had begun consulting with trading partners on the vexed question of workers' rights and trade, and hoped to raise the issue formally within the General Agreement on Tariffs and Trade before the summer break.

Developing countries have vigorously rejected tying worker rights to trade privileges, which they regard as a cover for protectionism.

The US, backed by the European Union and other industrialised nations, says its object is not to remove the comparative advantage of low labour-cost countries, but to curb human rights abuses such as bans on union membership, forced labour and child exploitation.

Though not on the formal agenda, the idea of a "social clause" in Gatt is expected to feature strongly in discussions at the annual conference of the International Labour Organisation, which begins next week in Geneva.

Mr Michel Hansenne, director-general of the UN agency, has said he personally favours a "social clause" related to the ILO's core conventions: the right to form trade unions and bargain collectively, and the ban on forced labour. These, he argues, are basic human rights and can be applied by countries at any level of development.

He proposes making a ban on child labour effective within five to 10 years.

A report by an ILO committee published yesterday urges the ILO to tighten enforcement of international labour standards, singling out breaches of the forced labour convention including forced child labour and child prostitution.

The report calls for closer scrutiny of compliance with the core human rights conventions, possible compensation for those adversely affected by violations of ILO standards and voluntary mediation and arbitration.

India sees software export rise

By Stefan Wagstyl in New Delhi

India's software exports soared 51 per cent in the year to March to Rs10.2bn (£215.5m), as the industry successfully maintained the fast pace of growth of recent years.

Total turnover also expanded rapidly by 47 per cent to Rs17.1bn, according to figures released yesterday by the National Association of Software and Service Companies.

Indian producers believe they are now reaping the benefits of establishing themselves in international markets. Export sales are dominated by a handful of larger companies, notably Tata Consultancy Services, a member of the Tata industrial grouping, which had overseas sales of Rs2bn. Altogether 100 companies exported software worth Rs10m or more, compared with only five five years ago.

Indian companies often used to send engineers to the US and other countries to work on projects on-site. Recently, however, Indian companies have been carrying out more work at home, transmitting it by data communications lines.

Damian Fraser on foreign companies' prospects in a growing sector

Mexico opens up for water business

British and French companies are competing fiercely to gain a hold in Mexico's water sector, drawn by an industry that is being partly opened to private investment and is in desperate need of modernisation.

Over the past year Thames, Severn Trent, North West Water, Biwater, Anglian Water of the UK, and Lyonnaise des Eaux and Générale des Eaux of France, with local partners have won contracts worth more than $1bn to build water treatment plants or to modernise municipal water systems in Mexico. Other British and French companies have bid unsuccessfully for contracts.

Further investment is likely to run into billions of dollars. Just a fifth of Mexico's sewage is treated, a proportion that will have to grow when new laws regarding water quality are enforced. A quarter of the population does not have access to running water, and still more receive irregular service.

However, foreign companies in Mexico warn that the market is highly competitive and grumble that margins are so low that they often do not justify the still considerable risks. "Mexico is a big market," says Bob Tippings of Biwater in Mexico, "but there are a lot of players. We have more profitable business in Venezuela where there is less rivalry." Apart from the foreign companies, there are half a dozen Mexican construction companies keen to win water contracts.

Operators further complain that doing business with Mexico's municipal governments can be time consuming and frustrating. Despite regulations that permit private investment, many say there is considerable resistance to their presence at the lower levels of the government, and this has led to costly delays in construction and financing of plants.

"The municipalities are a disaster," says one government water official. "They are too small, badly managed, and have no tradition of managing water efficiently." The World Bank, in a recent report on Mexico, says water contracts at the local level are decided more on political than economic grounds.

Waste water treatment plants are generally seen as the best opportunity in the short term. Some private operators reckon that there needs to be about $5bn of investment in treatment plants if municipal governments are to meet new federal regulations that subject them to fines if they do not clean their waste water.

Under the most common scheme, the private operator pays for the treatment plants, and in return is given management and ownership with a guaranteed amount of business for a set number of years, under the so-called Built-Operating-Transfer blueprint. Such BOTs have been negotiated in Puerto Vallarta, Ciudad Juarez, Chihuahua, Hermosillo, Obregon, Puebla, Leon, La Paz and Tampico.

Private operators have so far found it difficult to raise debt collateralised by future revenues because of concern about the creditworthiness of the municipalities. The worry is that the municipal government will not be able to pay the operator the agreed price for treating water and renege on the contract.

Banobras, a state development bank, has now agreed to guarantee the contracts between the municipal governments and the operator, thereby giving the collateralised debt a higher credit rating.

Banobras has agreed to offer the Monterrey-based conglomerate Cydsa a guarantee for its treatment plant in Chihuahua. Biwater hopes to receive a guarantee for its Puerto Vallarta plant.

Over the longer term, water companies hope municipalities will put aside their objections and award the private sector BOT concessions for the full local water system, from the distribution of water to billing of clients. So far two municipalities – Aguascalientes, an industrial city in the centre of Mexico, and Cancun, the resort – have given private companies management and ownership of their water systems for a fixed period.

Mexico City plans eventually to give private companies full operational control over its water system. Last year the city government split the capital into four regions, and awarded contracts to four consortiums of water companies.

In the first phase, the companies will install 700,000 meters on a contract basis; in the second they will operate the system in the name of the government; and in the third they will take full control, buying water in bulk and selling it directly, at regulated prices, to customers.

The Mexico City contracts took much longer than expected to be negotiated, in part delayed by those who objected to uprooting the water system before the presidential election in August. The resistance was seen by some foreign operators as a sign of the continuing reluctance in parts of the government to give up control of a commodity as politically sensitive as water.

Investment is set to run into billions – a quarter of the population does not have access to running water and still more receive irregular service

US takes harder line on Japan

Britain and the US have very different approaches toward gaining access to Japanese markets, British Trade Minister Richard Needham, said yesterday. Mr Needham was speaking at the launch of an "Action Japan" campaign.

A Japanese Ministry of International Trade and Industry (Miti) panel said in a report released yesterday the US is "without parallel" in imposing measures that force its trading partners to abide by unilateral judgments. It said the US shows no signs of abandoning this practice.

Asked why the US has received lucrative orders from Japanese businesses, Mr Needham said: "I don't think you can in practical terms play the part of the bully, unless you're bigger than the other guy. If the other guy's bigger than you, and you try and be the bully, you're likely to end up on your back."

The Action Japan campaign, which follows on from the Opportunity Japan (1988-91) and Priority Japan (1991-1994) campaigns, aims to increase British visible exports to £3.5bn by 1996, up from £2.6bn in 1993.

Recovery may pose inflation risk, report warns

By Gillian Tett, Economics Staff

Evidence that the British economic recovery may be fuelling inflationary pressures emerged yesterday as a business survey warned that manufacturing bottlenecks had significantly raised factory prices in May.

The UK purchasing managers' survey said prices were pushed up for the sixth successive month because factories were unable to meet the recent surge in demand. Shortages of pulp, paper and steel had created particular problems in packaging and production industries.

In another sign of inflationary pressure, the annual growth rate of M0, the narrow measure of the money supply, rose to a seasonally adjusted 7.1 per cent in May, the highest figure since April 1990.

M0 has been growing outside the government's monitoring range of 0-4 per cent for some time. The Bank of England does consider M0 to be a forward indicator of inflation but it has argued that the annual growth rate has been distorted by the move to low interest rates, which have reduced the cost to consumers of holding cash.

But analysts said the figures indicated that the economy was still growing strongly and therefore the likelihood of a further base rate cut had been reduced even further.

The strength of this growth was underlined by the purchasing managers' survey, which showed that factory output, new orders and employment all rose to the highest levels recorded during the survey's three-year history.

This was creating problems for some UK factories, the survey suggested. Although levels of stocks had remained broadly flat in May, delivery times had lengthened to record periods because many manufacturers were unable to meet demand requirement in time.

These findings are slightly at odds with a recent survey from the Confederation of British Industry, which suggested that most manufacturing sectors still had spare capacity and inflationary pressures remained low.

But manufacturers last night endorsed the report's picture of rising sales and lengthening order books and delivery times, although they insisted that severe supply constraints remain rare. Though prices for many raw materials are said to be rising, most suppliers say increases are still only helping to recover some of the ground lost during the recession.

The Confederation of European Paper Industries confirmed that the UK appeared to be at the forefront of very strong surge in demand for paper products which began in the first quarter of this year.

Meanwhile, Mr Alan Collins, president of the British Constructional Steelwork Association, said: "In most cases customers are being supplied within 8 to 14 weeks of placing an order which is pretty good going. Supply and demand is more in line which has enabled prices to rise by between 8 per cent and 10 per cent since the beginning of this year".

Additional reporting by Philip Coggan and Michael Cassell

Regulator resists review of gas assets

By Robert Corzine

Independent gas marketers have failed in their bid to persuade Ofgas, Britain's gas industry regulator, to order a root and branch revaluation of the assets in British Gas' transportation and storage system.

They had lobbied strongly for Ofgas to include a revaluation in its forthcoming consultation paper on transportation and storage charges because the rate of return British Gas will be allowed to earn will be applied to this base. If as the marketers believe, the assets are overvalued, British Gas will be able to justify higher charges.

This would limit the ability of the independents to offer cheaper prices once the phased opening of the domestic market begins in 1996.

Many of the biggest gas marketers are joint ventures between UK and foreign energy and utility companies. Utilicorp of the US has forged links with many of the regional electricity companies.

Some US oil companies, such as Mobil and Amerada Hess, have set up UK gas subsidiaries. European oil producers, such as Total of France and Statoil of Norway, have also entered the market.

Ofgas officials say there is no time to launch such an extensive exercise in the run-up to competition and will instead rely on the assumptions used in 1992, when Ofgas commissioned an independent assessment which valued British Gas's transportation and storage assets at about £17bn.

British Gas broadly agrees with this figure, but some independent marketers say it s "hopelessly inflated".

The marketers have also questioned whether British Gas needs all the assets it has placed in the transportation and storage business.

Ofgas now plans a full review of both the transportation and storage and tariff formulas before 1997, when the present tariff formula comes to an end.

Labour would 'remove terror' for chairmen

By David Goodhart and Roland Rudd

Mr Robin Cook, Labour trade and industry spokesman and potential leadership candidate, said yesterday he wanted to "remove the terror" that frightened company chairman into paying big dividends. "Companies often have to place dividends before investment because they fear a fall in their share price will make them vulnerable to a takeover."

Plans to overhaul the corporate governance system and company takeover rules to clamp down on hostile takeovers and reduce the pressure for companies to pay high dividends to City institutions will be unveiled tomorrow by Labour.

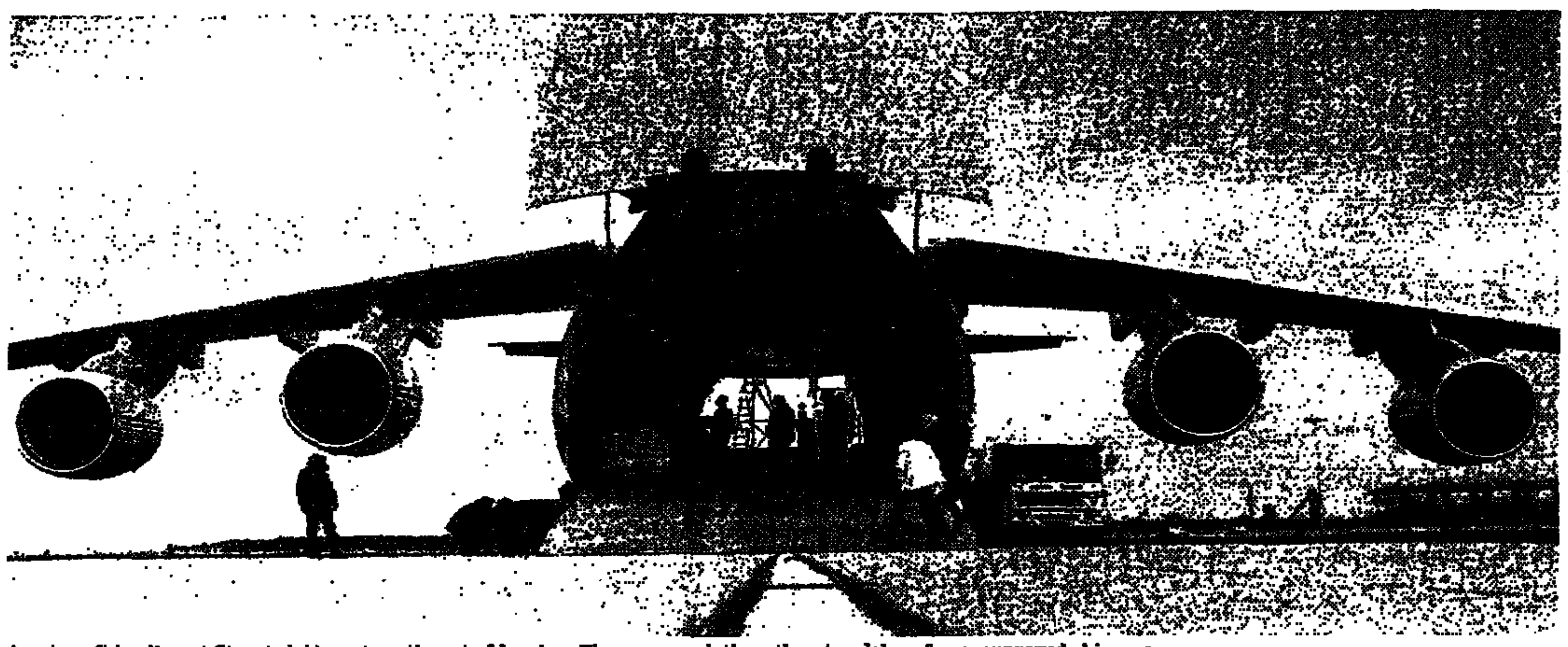
In a paper, "Winning for Britain", Mr Cook blames much of the the decline in investment performance on the fact that over the past 15 years the proportion of net profits taken out of the business in dividends has increased from half to three-quarters. The government is also currently reviewing whether companies are paying out too much in dividends.

Mr Cook wants to reverse the burden of proof in takeovers on to the company launching a hostile bid to show that it is in the public interest. Under the present rules a hostile takeover would only be stopped if it clearly transgressed competition rules.

Mr Cook proposes measures "to encourage committed owners, promote collective contribution to the strength of the business enterprise and raise the priority of long-term organic development of businesses", including tax changes to encourage long-term holding of shares; better information for pension fund trustees and statutory reporting of long-term indicators of corporate strength in annual reports.

Although the plans are likely to upset business organisations, they are less ambitious than Labour's previous policies and there is a strong stress on changing corporate "culture" and encouraging collaborative links between companies.

● The Labour party is set to support the lifting of a controversial ban on British Telecommunications carrying entertainment over its network in a move which signals a significant shift in the party's approach to the privatised telecoms company. The ban was imposed to encourage cable companies – mostly US-owned – to invest in telecom networks in competition with BT. Cable companies argue the ban is essential to the viability of their planned £6bn investment over the next five years.



An aircraft loading at Stansted Airport north-east of London. The new regulations threaten delays for unapproved shippers Photograph: Ashley Ashwood

New air freight rules 'may delay exports'

One in eight cargo agents may be unable to comply with tough security code, Charles Batchelor reports

Tough new security regulations on the shipment of air cargo which take effect today could delay exports and cause chaos at airports, a large freight forwarding company claims. Only one in eight cargo agents are thought to be able to meet the new rules.

The rules have been brought in partly in response to the bombing of the Pan Am Boeing 747 over Lockerbie in December 1988.

They require the registration of air cargo agents with the threat of delays for shipments sent by unapproved companies.

MSAS Cargo International, the second-largest UK freight forwarder, said confusion about the regulations had meant that many agents and airlines had not yet invested in the necessary x-ray equipment or trained their staff to hand-search cargo.

The Aviation and Security (Air Cargo Agents) Regulations, which were brought in after three years of consultation with the industry establish the concept of "listed agents," who are approved and registered by the Department of Transport.

Listed agents can in turn declare shippers to be "known customers," if they are reputable, regular exporters who operate from secure sites.

Cargo sent by known customers and listed agents can be shipped without stringent security checks but other cargoes must be x-rayed or hand-searched.

If this is not possible then the cargo must be held for the duration of the planned flight plus two hours but with a minimum wait of 12 hours.

Mail and courier parcels less than ¼inch thick are exempt from these rules.

The department of transport said the June deadline had been known since last September and the regulations had been brought in because passenger safety was paramount. The department had no powers to shut down agents who did not comply but expected pressure to come from the airlines.

It said that about 110 of the estimated 800 agents have achieved listed status though more were applying. Some had been rejected for failing to meet the standards set. In addition many shippers are still not classified as "known".

In addition to delays, shippers face the prospect of airlines and freight forwarders imposing additional charges to carry out cargo screening, MSAS said.

BAA, which owns and manages Heathrow and other large airports, said it did not know what the impact of the new rules would be though most shipments through Heathrow were handled by listed agents. It doubted whether airlines would have accepted bookings from unlisted agents.

FT CONFERENCES

WORLD GOLD CONFERENCE
London, 6 & 7 June 1994
Rupert Pennant-Rea, Deputy Governor of the Bank of England will deliver the opening address at this year's meeting which is timed to coincide with the tercentenary celebrations of the Bank. Speakers will include Dr Chris Stals, South African Reserve Bank; Jean Zwahlen, Swiss National Bank; Clem Sunter, Anglo American Corporation of South Africa; Kevin Foo, Bakyrchik Gold; Harry Conger, Homestake Mining; Victor von Klemperer, Dresdner Bank; *Phil Wilson, Standard Chartered Bank, The Mocatta Group*; Makoto Tonoki, Tanaka KK and Mr Marcel Golding, African National Congress.

NORTH SEA OIL AND GAS
London 13 & 14 June 1994
The conference will review E&P in the main sectors of the North Sea and consider the impact of current oil prices on activity in the province. Competitiveness, operator-contractor relationships and abandonment will also be discussed. Speakers include: Tim Eggar MP, Minister for Energy; Heinz Rothermund, Shell UK Exploration and Production; Johannes Maters, *Commission of the European Communities; Kyrre Nese, Statoil*; Lance Johnson, Mobil North Sea; Dr Peter Scholten, Ministry of Economic Affairs, The Netherlands; Liam Mulhall, Sedgwick Energy Limited; Mike Smith, Scottish Power and Arne Holhjem, Phillips Petroleum Company Norway.

TRANSPORT IN EUROPE
London, 15 & 16 June 1994
The conference will examine industry implications of Community proposals for Trans-European Networks, as well as the prospects for public-private partnerships to finance Europe's transport infrastructure. Speaker include; The Rt Hon John MacGregor OBE MP, Secretary of State for Transport, Henning Christophersen, Commission of the European Communities, Boguslaw Liberadzki, Minister of Transport, Poland, Ranjit Mathrani, Managing Director, West Merchant Bank, Alessandro Ovi, IRI SpA and Bertrand Hozschuch, SAPRR.

EUROPEAN TELECOMMUNICATIONS
London, 20 & 21 June 1994
This year's meeting will focus on the challenge of emerging competition and *convergance for operators, regulators and business users in Europe*. The issue of network modernisation and
yfinancing will also be addressed. Speakers include: Bill Wigglesworth, OFTEL; Candido Velázquez-Gaztelu Ruiz, Teléfonica de España SA; Michael Hepher, British Telecommunications Plc; Wim Dik, Royal PTT Nederland NV; Mike Harris, Mercury Communications Ltd; Eugene Connell, Nynex CableComs Limited; Michael Phair, Director, NM Rothschild & Son Ltd; Bertil Thorngren, Telia AB.

THE STRUCTURE AND EVOLUTION OF
THE INTERNATIONAL EQUITY MARKETS
6 & 7 July 1994, London
The Financial Times and the Centre for the Study of Financial Innovation are arranging a high-level meeting for stock exchanges, regulators, market practitioners and investors to review equity market developments, discuss user requirements and look at regulatory issues. The role of technology in shaping tommorrow's markets will also be examined. Andrew Large, Chairman of the Securities and Investments Board, will give the opening address and speakers include: Brandon Becker, US Securities and Exchange Commission; Dr Rüdiger von Rosen, Deutsche Börse AG; Giles Vardey, London Stock Exchange; *Steven Wunsch, AZX Inc and John Herzog, Herzog Heine Geduld*.

MULTIMEDIA - VISION AND REALITY
London, 12 & 13 July 1994
This major business forum will focus on the key issues facing this fast-growing industry; the regulatory and legal framework for industry development; financing the multimedia future; assessing real business applications and potential and the role of strategic alliances in responding to the developing multimedia marketplace. Speakers include Professor Nicholas Negroponte, Massachusetts Institute of Technology; Terry Hershey, Time Warner *Interactive; Alfred C Sikes, Hearst New Media and Technology*; Dr Reinhard Buscher, European Commission; Peter Job, Reuters Holdings PLC; Scott Marden, Philips Media.

THE NUCLEAR INDUSTRY - INTO THE 21ST CENTURY
14 & 15 September 1994, London
This high-level meeting will examine the outlook for nuclear power in North America and western Europe, considering the impact of current government moratoria and the role of nuclear in the fuel mix, and review growth potential in the Asia-Pacific region. The challenges of improving efficiency and safety at nuclear plants in eastern Europe and issues related to managing the fuel cycle will also be addressed. Speakers will include: James Hann CBE, Scottish Nuclear; Rémy Carle, EdF; The Honorable John Reid, Canadian Nuclear Association; Roger Hayes, British Nuclear Industry Forum; Professor Jurgis Vilemas, Lithuanian Energy Institute; Thierry Baudon; EBRD; John Guinness CB; British Nuclear Fuels; Michael Folger, United Kingdom Nirex and Dr Rachel Western, Friends of the Earth.

All enquiries should be addressed to: Financial Times Conference Organisation, 102-108 Clerkenwell Road, London ECIM 5SA. Tel: 071-814 9770 (24-hr answering service) Telex: 27347 FTCONF G. Fax: 071-873 3975/3969.

Vineyard to wind down production

By Alison Maitland

Wine production at Lamberhurst near Tunbridge Wells in Kent, one of England's biggest vineyards, is being wound down after the business failed to attract a buyer as a going concern.

The guide price for the vineyard, including a 17th century farmhouse, a restaurant and farm shop, has been halved to £750,000 and the property is being re-offered for sale on a freehold basis.

Mr Kenneth McAlpine, 73, the vineyard's founder and owner, put the business on the market for £1.5m last September because he wanted to retire.

Mr James Crawford of Knight Frank & Rutley, the estate agents selling the property, said there was a "lack of confidence in the wine trade in the face of competition from other countries, cheap imports and duty on wine going up every year".

Mr McAlpine, a director of the Sir Robert McAlpine construction company, said several potential buyers from the UK and abroad had thought it would be "fun" to own a vineyard as a hobby. "But when they discovered it was a business with a turnover of £750,000 a year, they didn't want the hassle of running it."

Production, which used to account for a tenth of UK wine output, has been reduced dramatically, he said. "We're not cultivating much of our vineyard at all." The restaurant and vineyard tours will close in September.

But Mr McAlpine, who has been in the wine business for 21 years, is determined to keep the Lamberhurst name alive if the reduced price fails to find a buyer keen to revive the vineyard.

He plans to retain three or four acres of the 42 acre-vineyard to produce red wine from a new German grape. He will also continue to buy grapes from other vineyards in south-east England to make traditional Lamberhurst white wines on a smaller scale.

Mr McAlpine will cut production from last year's 350,000 bottles – already well below peak years of 500,000 – to 100,000 bottles, concentrating on high quality, high-priced wine. He intends to retain a long-term lease on the winery.

If the rest of the vineyard falls into disuse, Mr McAlpine will paradoxically have contributed to what he regards as the solution to the industry's problems. A glut of wine has pushed prices down and made production uneconomic, so England's 2,500 acres of vineyards must be cut back, he says.

"In three or four years, England, and the rest of the world, will have reduced production and prices should start going up again," he said.

Mr McAlpine still chairs McAlpine Helicopters, with an annual turnover of £15m, and has a forestry equipment business in Lamberhurst village.

Sour grapes for English wine industry

Stewart Dalby finds that smaller vineyards are being squeezed by cross-channel trade and duties

The English wine industry has suffered from the boom in cross-channel imports of beer, wine and spirits, compounded by a higher rate of duty than their continental competitors.

There are now just over 450 vineyards in Britain, with something like 60 wineries, covering 2,000 acres and producing, in a good year, 2.5m litres of wine – about 0.3 per cent of British wine consumption.

The industry has always had its problems, not least fighting the perception that the climate is not quite right for quality wine growing. It receives no government assistance, unlike industries in other European countries, and the UK is the only European Union country which charges tax on wine bought at the vineyard.

The fragmented nature of the industry and the lack of mass production means overheads are high, marketing is difficult and costs per bottle are more than most imported wines.

Since January 1993 taxes on imports from European producers were abolished, so English wine attracts a levy of £12.30 a case, or another £1 a bottle.

Mr David Carr Taylor runs a 37-acre vine near Hastings, in East Sussex.

He buys in a lot of grapes and produces around 100,000 bottles a year. He says farm gate sales are down over 40 per cent in the past year and sales to hotels and restaurants, which make up around 40 per cent of his custom, are down 50 per cent.

"Since January 1993, a hotelier or restaurateur can drive a transit van across to Calais, buy a truck load of wine at less than £2 a bottle and still see a profit even after the ferry fare. Under the law anyone can bring in enough for his or her own personal consumption, so if you are running a restaurant you can away with it," he says.

The situation is a little easier for quality wine makers. Mr Christopher Ann runs the English Wine Centre in East Sussex – a small vineyard and wine shop.

He says: "A lot of our business is special events and we have some secure outlets. The quality end has held better than for table wines. Even so I would guess business is down by 20 per cent. This is not solely due to the cross channel traffic. There are other factors, but certainly the imports and the duty we have to pay have not helped."

Ms Gay Biddlecombe who runs the St George vineyard, also in East Sussex, says: "We have not been particularly affected by the cross-Channel trade so far, but this is because I specialise in niche marketing of quality wine. I would expect that smaller vineyards will go out of business."

Commander Geoffrey Bond, the chief executive of the 200-member English Vineyards Association, says: "We were already being hit by all kinds of regulation which don't affect other producers in the EU. This duty is one more heavy burden."

The Association is preparing to lobby the government in an attempt to get the duty lifted. He says: "I am contacting all our members to find how business has been hit. I will have a better picture to present to the minister in June. But I can well imagine that some vineyards are 50 per cent down in business."

Mrs Gay Biddlecombe – pictured harvesting grapes at St George's Vineyard in Waldron, East Sussex – expects smaller vineyards to be at risk from the growing cross-channel wine trade

Britain in brief

Banks' share of home loans fell in April

Mortgage lending by UK banks fell in April below the level for the same month last year, according to the British Bankers Association. The number of new mortgages approved in April also dropped year-on-year and compared with March.

These figures suggest that banks are losing the sharply increased share of the mortgage market they acquired last year at the expense of building societies (home loans and savings institutions).

Gross loans made by the banks totalled £1.43bn in April – a drop of 11 per cent from the £1.61bn lent in March. In April 1993, the banks' gross mortgage loans amounted to £1.79bn. The fall in the number of loans approved, which is regarded as an important indicator for future mortgage lending, is even more striking.

Some 25,989 new loans were approved in April, while in the previous month 31,518 were approved. Last month's figure is 24 per cent lower than the 35,348 loan approvals in April last year.

The British Banking Association said it was "too soon" to attribute the fall in mortgage lending to the tax increases and the reduction in mortgage tax relief which took effect at the beginning of April. It suggested that last month's figures might have been depressed by a rush of borrowers in March taking advantage of the lower fixed-rate mortgages then on offer.

London still wealthiest area

Greater London remains the wealthiest region of the UK, but Scotland, Wales and Northern Ireland are catching up, Central Statistical Office figures showed. In 1992, personal income per head in Greater London was £11,577, 122 per cent of the UK average, while that in Wales and Northern Ireland was just £7,980, or 84.1 per cent of the average. However, over the 1990 to 1992 period, incomes in Scotland, Wales and Northern Ireland grew most strongly, while growth in the south-east and Greater London was below average.

Midlands to Milan by train

The Channel tunnel takes a further step towards paying its way today with the start of long-distance freight services carrying new cars from the West Midlands to Milan. Rover Group will make its first shipment of about 250 cars to its Italian distribution centre as part of a regular service involving five trainloads a week. The journey will take two days compared with eight days previously.

Seb Coe post

Mr Sebastian Coe, Olympic gold medallist, has been appointed parliamentary private secretary to Mr Roger Freeman, minister for public transport. Mr Coe, 37, has been MP for Falmouth and Camborne in Cornwall, western England, since 1992.

£93m Cardiff contract

A joint venture between construction groups Balfour Beatty and Costain has been awarded a £93m contract to build the Cardiff Bay Barrage in Wales.

The barrage will replace tidal mudflats with a 500-acre freshwater lake as part of the regeneration of Cardiff's docklands. Work on the 220-week project started at the end of last week according to the joint venture which is owned 65 per cent by Balfour Beatty and 35 per cent by Costain.

The 1,100m rock and sandfill barrage will incorporate three locks, five sluices and an 8m-wide fish ladder. The mechanical and electrical works alone are valued at more than £10m.

Illegal grant charge rejected

Mr John Redwood, Welsh secretary, has rejected allegations that £7m of government grants had been illegally channelled to marginal constituencies in mid-Wales.

In a BBC Wales television programme screened last night, it was claimed that the money was disbursed via the Welsh Development Agency after the region lost its assisted area status in 1982. It was alleged that, under the 1975 act which set up the WDA, the agency had no legal powers to do this.

Mr Jon Owen Jones, a Welsh Labour MP, called on Mr Redwood to resign. "It's a clear case of the political masters deciding that the money should follow their own perceived political advantage," he said.

Mr Redwood accused the BBC of "not doing its homework". He said: "The legal advice I have is that the powers are available under the WDA act."

Parliament had been told in 1982 about the aid and it had not been challenged. But he said he would call for a report from officials.

Dragon of controversy, Page 14

Shame on speedsters

Shame is the latest weapon to be used by the department of transport in its drive to curb speeding motorists on motorways.

Drivers on the M1 in the Midlands will find themselves confronted by a giant screen which flashed up the word "speeding", together with their registration number and speed. The information will then go straight to the police computer which in turn will issue a ticket.

The device is designed by Travers Morgan, transport consultants and made by the NEI subsidiary of Rolls-Royce.

Surprisingly, it may affect weekend motorists straining for freedom rather than salespeople or chief executives. Research has shown that there is more speeding by cars at the weekend than during the week.

MANAGEMENT

A deal that aims to deliver

Christopher Lorenz looks at the attraction of logistics alliances

As more multinational companies cut their number of factories in Europe, and concentrate production in fewer countries, many of them are also subcontracting their transport and warehousing services to a single outside provider of "logistics" services. But most of this "outsourcing" is focused too much on cost reduction, and too little on improvements in service deliveries to customers.

This is one of the main conclusions to emerge from a study of "logistics alliances" between 50 customer companies and 20 logistics specialists across five north European countries*. The study was carried out by McKinsey, the management consultancy, with the Centre for European Logistics.

The study reports that logistics alliances are being set up rapidly, in both industrial products and consumer goods. But so far most of them involve only the stocking, handling and transport of finished goods. Less than half those surveyed also covered the inflow of goods, parts and materials.

Specialisation of production across borders is one of two motives for the creation of logistics alliances, according to the study, the findings of which are reported in the latest issue of the McKinsey Quarterly by two consultants, Peter van Laarhoven and Graham Sharman.

The other factor is the decision by some companies to focus on "core competences" such as product development, manufacturing, marketing and selling, and to outsource logistics to a specialist provider.

Among the pioneers of such deals, the study cites Rank Xerox, the copier maker, and the Dutch transport company Frans Maas, whose relationship has evolved over a decade, with periodic increases in the scope and value added by the arrangement.

Almost half the deals involving international flows are being taken by forwarders such as Sweden's ASG and Germany's Kuehne & Nagel, according to Laarhoven and Sharman. But the overall market leaders – if purely national deals are also included – are warehousing specialists such as Nedlloyd's Districentres and NFC's Exel. Non-European "integrators" of both warehousing and transport are now becoming "more active", says the study.

For the majority of deals, the study's use of the term "alliance" may be premature: Laarhoven and Sharman themselves say that most are still at an early stage of development – which they christen "contract logistics". Companies are tending to choose their service providers on the basis of hard, competitive cost bidding. Only one in seven of the customer companies in the study chose to negotiate with an existing service provider on a "sole source" basis. But the study argues that many relationships will grow deeper with time.

The excessive focus of most deals on cost reduction, and the inadequate priority they give to service improvement, probably result from the fact that the main stimulus behind most of them is corporate restructuring, say the consultants.

Too much emphasis on cost reduction in negotiating an alliance actually inhibits a successful outcome, argue Laarhoven and Sharman. Instead, they advise companies to emphasise delivery service as the first priority. Opportunities for cost reduction will arise through improved methods and co-operation once the alliance has settled down.

The consultants also advise customer companies, most of which are several times larger than their service providers, to avoid the temptation to respond to recession by reverting to traditional "arm's length" purchasing methods. Logistics alliances will only flourish if companies are willing to nurture their relationships, share information and explore ways of extending the scope of the arrangement. A few companies have gone as far as subcontracting management control of all or part of their inward and outward "supply chain".

**Logistics Alliances: the European Experience. McKinsey Quarterly, 1994, No 1.*

Jenny Luesby reports on the biggest worries for senior UK executives

Director's nightmare

The chairman is drunk in charge of the business. The company's owner is insisting on terms of employment that will surely end up before an industrial tribunal. The board is deadlocked on whether the company should cease trading.

Real cases, real dilemmas: the next step for the three company directors faced with them was to contact Britain's Institute of Directors, which has logged the 10 most common worries.

At 24 hours' notice, any one of the IoD's 47,000 members – many of whom run companies too small to have a full range of in-house specialists – can speak to an expert for free and in confidence. Every year, around 1,000 of them do.

Employing six part-time advisers, each senior in their own field, the IoD's advisory service covers finance, law, human resources, property, marketing and the birth and death of businesses. As such it offers an insight into the issues that cause headaches.

Dismissal, it would seem, is the threat that causes most anxiety. The single most common call to the service is prompted by IoD members' own lack of job security.

For one managing director, who was instructed by the owner of his company to take more than 20 sales representatives off their salaried contracts and pay them on a commission-only basis, the threat of a rash of industrial tribunal cases for constructive dismissal was only avoided by refusing to co-operate, and losing his own job. In the end, he got almost 12 months' salary, kept his company car and received help with a CV and job contacts.

Another managing director, this time of a UK subsidiary of a company jointly owned by Russia and Ukraine, called the service when the majority holder had decided his nationality was a problem. The Russians wanted a Russian in the post. A third, running the subsidiary of a British company based in Zambia, was similarly sacked from afar. Alone and unaided he needed rapid advice on his legal position and rights.

All three cases demonstrate the degree to which many directors are unprotected. A surprisingly large number take up jobs without a service agreement.

One such caller owned 5 per cent of the equity of a company. He was its managing director and the owners were related to his wife. Surely, a position of security. If the company were acquired, he could be in trouble, the IoD told him.

Nor is it just directors' job security that arises. The dismissal of other company employees is a recurring topic.

One managing director, who inherited a 52-year-old secretary on an 18-hour week, had given her two verbal warnings for poor work, before offering early retirement with severance pay equivalent to the statutory redundancy figure. The secretary was now holding out for straight redundancy, but the managing director did not want to make the position redundant. The IoD was emphatic on the error of mixing disciplinary procedures with redundancy.

Other cases have been more shocking. The chairman of a small publishing company wanted to dismiss a 59-year-old senior editor, who had not been doing his job properly since developing a brain tumour. The editor's doctor had advised that it would be best for the man to continue working. The IoD warned of an industrial tribunal case, and advised a generous severance payment.

The service did have one scrape with a dissatisfied customer when a director facing insider-dealing charges claimed the service had told him his transactions were legal. IoD records showed he had not spoken to the service until after the transactions, and that the IoD had anyway not said they were legal, and the claim was dropped.

Solo sailor seeks broader horizons

Nigel Rowe reports from the high seas on the pursuit of a Big Hairy Ambitious Goal

A couple of days before I left England, home, my job – and the salary that went with it – to fulfil a dream that had become something of an obsession, I attended a conference in London on global excellence.

The conference, organised by the Confederation of British Industry, the employers' organisation, had been inspired and sponsored by BOC, the industrial gases and healthcare group. It was my last duty for the company. John Stopford, of the London Business School, was one of the principal speakers and, like all business school professors, he could not resist the opportunity to coin a new phrase. What British industry needed, he said, were Big Hairy Ambitious Goals.

I sat at the back of the hall and smiled. Yes, I thought, I knew what it was like to have a BHAG, even if the professor and the 250 company directors present might not too readily relate to it. For I was about to compete in the BOC Challenge 1994-95 single-handed, round-the-world race.

As I left the conference I took off my tie and dropped it into a waste bin in Tottenham Court Road. Perhaps it was a childish act of worthless symbolism, but I remember doing the same when I left school.

I flew to the US two days later to ready my 48ft sailing boat Sky Catcher for the last phase of our preparations together – two transatlantic crossings, including a single-handed race in July, also sponsored by BOC.

We left Charleston, South Carolina, just before midnight on Thursday 12 May – it being a tradition born out of superstition that one should not begin a passage on a Friday, least of all on one that carried with it the additional stigma of being the 13th. Now, a little over a week and two gales later, we are about a third of the way across to Falmouth, and I have had time to reflect on what brought me here.

My guess is a combination of balance, opportunity and curiosity (it may be some time before I can shake off the initials BOC).

Very few of us achieve a healthy balance of interests and contrast in our lives. A successful business makes many demands on its managers. Life's priorities are driven overwhelmingly by those at the office. Further, the more senior one's position, the more dependant corporate man becomes on the trappings and comforts of higher office. Less and less of this experience is enriching in any but a material way and it is often poor preparation for the rest of life. I know too many people who were burned out when they retired to face a long list of things they wished they had done and now cannot. I want to avoid that.

Opportunities must be grasped when they appear. But another lesson from corporate life is that they can also be created, even if at some cost. I was fortunate to be able to negotiate this opportunity and was prepared to meet the cost in terms of loss of salary and future security.

But curiosity has been the principal motivation in this endeavour. I am curious about what it will teach me about myself as well as other people, places and things. I am also curious about what will be demanded of me to meet the challenge of this undertaking.

I initiated BOC's sponsorship of the BOC Challenge more than 12 years ago when I had been sailing for only a couple of years. Such feats as a solo circumnavigation were beyond my imagination then. The 1994-95 race, which starts from Charleston on September 17th, will be its fourth edition. Now, I have many thousands of miles of sailing experience; but I know nothing of the windless doldrums or of the Southern Ocean with its screaming winds, icebergs and the infamous Cape Horn. I am curious about how I shall deal with all of that.

Knowledge gained from a long and happy life in the corporate womb may not help me much.

The author is the former chief executive of corporate relations for the BOC Group. This report was filed from Sky Catcher in the North Atlantic.

BUSINESS AND THE ENVIRONMENT

Call for 'carbon bond'

The man who promoted Costa Rica's "debt-for-nature swaps" has come up with another instrument he thinks could provide part of the solution to the long-term preservation of its diminishing rainforests and combat global warming.

Alvaro Umana, former minister of natural resources, is touting a "carbon bond" through which companies in developed countries can offset greenhouse gas emissions by financing forest preservation.

He argues that Costa Rica provides a global service by guaranteeing the storage of carbon through preserving its forests, for which it should be financially compensated.

"At a very low price of $10 (£6.60) a tonne [of stored carbon] that means Costa Rica has about a $1bn chip," he says. "But there is no market to cash it in, yet."

The 1992 Convention on Climate Change, agreed at the Rio summit, called on industrialised nations to stabilise emissions by the year 2000 at their 1990 level. Emission ceilings will be imposed on individual companies, but under the convention they are permitted to emit carbon in one place and sequester it in another.

Some utility companies in the US and Canada, with an environmentally friendly bent, have shown interest in the proposal, including Ontario Hydro, run by Maurice Strong, who chaired the Rio summit.

But interest is also being generated because the bonds make good business sense, claims Umana. "They know it's coming, and they think they might be able to get cheaper carbon futures now." Companies would exchange cash – to preserve the forest – for permits allowing them higher emissions.

Umana admits the project's success will depend on whether Costa Rica can develop a mechanism of verification that will be acceptable to the industrial countries.

Edward Orlebar

Shopping for a revival

Traditional town centres are under increasing pressure from out-of-town sites. **Vanessa Houlder** reports

Sign of the times: Run-down town centre streets contrast sharply with the bustle and confidence of out-of-town shopping malls

Boarded-up shops, dilapidated buildings and empty streets are evidence of the mounting pressures facing Britain's town centres. Recession, a greater reliance on cars, and competition from business parks and out-of-town shopping centres have undermined the prosperity of many traditional centres over the past five years.

The problem is widespread and urgent, according to a recent government report, Vital and Viable Town Centres*. "Whereas in the 1980s, most British towns expected their shopping centres to grow, many now feel threatened and there are widespread signs of decline. Many towns and cities are at a turning point," it says.

The need to stop the rot has assumed a new prominence in the government's environmental policies. John Gummer, environment secretary, has recently introduced guidelines to help to curb out-of-town development, reduce the need for lengthy car journeys and improve the vitality of city centres.

The need for "sustainable development" is at the centre of his concerns. "We cannot afford urban sprawl and to place development in locations which can only be served by long trips by car," he said last week.

Gummer's guidelines represent a marked change from the laissez faire policies of the last decade, under which the UK became home to some of the largest out-of-town shopping centres in Europe. The most striking aspect of the policy shift is the proposed tightening of the planning rules on future developments of this kind. According to a guidance note, PPG6, issued last summer, planning authorities should not promote large out-of-town stores if they would seriously jeopardise town centres.

This guidance was followed by a draft consultation paper on transport policies, published earlier this year, which discouraged local authorities from allowing development unless it was easily serviced by public transport.

Gummer's proposals have been welcomed by the environmental lobby, as well as by many planners, property owners and retailers. But critics say they have been insufficiently thought through. They claim that obstructing out-of-town development is not enough to ensure a vibrant town centre.

Neglect, as well as the threat from out-of-town shopping, pose the most serious threats to town centres, according to the report. "Strengthening planning policies is not enough," it says.

The point was echoed by the Consumers' Association at a recent select committee hearing. "Town centres will survive only if they provide shoppers with what they want and need," it said.

Town centres are being told to fight back. The government report says local authorities should work with local businesses and other key interests to upgrade town centres by making the town look well-cared for and by improving short-stay car parking, bus services and security.

But who should pay for such improvements? The report acknowledges that local businesses are resistant to foot the bill. "As businesses often believe they are already paying for local services through the business rate, there is a need to review the mechanisms for resourcing the improvement and maintenance of town centres," it says.

As matters stand, there is little reason to expect more money to be spent on town centres. A recent report by Hillier Parker into Quality in the Public Realm found that only 20 per cent of local authorities plan to spend more than £1m and 46 per cent planned to spend less than £500,000 on town centre improvements over the next three years. "All recent research shows that there is risk that the share of total retail spending taken by town centres will continue to decline," says Brian Raggett, the report's author.

Another concern is that a clampdown on out-of-town development will lead to increased town centre congestion. This has long been an obstacle to town centre development. "What drives developers out of town is the unwillingness of local authorities to allow development in town," says William McKee of the British Property Federation, a landlords' association.

Peter Hall, who was until recently a planning adviser to Gummer, says: "What we have to ensure is that [the restoration of city centres] is not achieved by congestion, which could be less sustainable than allowing development to go out into the green fields."

He suggests curbing the growth of towns and cities by establishing new settlements. "New communities form part of the package of sustainable development."

The pronouncements of the planners and policy formers are viewed with bemusement by many property developers, who feel that the government's planning policy lacks consistency. They claim that this wastes time and money, when they are dealing with projects that take many years to plan and assemble.

But there is a more fundamental reservation on the part of the development industry to the government's revised policy. The British Property Federation, which represents landlords, is concerned that the importance of economic development may be lost in the clamour for environmental protection.

"We want to support sustainable development but we think there is a grave danger that the sustainable development argument will be used to turn down anything the environmental lobby does not like," says McKee.

The defenders of a more liberal planning policy argue that the swing to out-of-town shopping is underpinned by a strong demand from consumers. Many traditional high street shops are shifting to out-of-town centres, retail warehouses are now embracing products such as toys, electrical goods and computers, and discount warehouses, such as Costco at Thurrock in Essex, are making increasing inroads into the market.

The pressures for more out-of-town and edge-of-town development lead some commentators to argue that the government should crack down decisively to prevent further erosion of the countryside and the vitality of cities.

Duncan McLaren of Friends of the Earth, the environmental pressure group, believes that the time has come for the UK to choose between US-style development, where almost all shopping is on the ringroads surrounding a town, or the model of most Continental cities, which generally have central shopping facilities. "At the moment we are at a crossroads," he says.

Others argue that the UK should opt for a combination of out-of-town development and town centre development in an effort to reduce congestion and preserve the character of town centres. "Out-of-town sites and thriving town centres are not mutually exclusive," says Stuart Robinson of chartered surveyors Hillier Parker.

The question of how well an out-of-town development can co-exist with a healthy town centre depends on the town's circumstances. In big towns, the demand may be large enough to accommodate both out-of-town superstores and a healthy retail sector within the town centre; in small towns, the arrival of a superstore may squeeze out smaller retailers in the town centres.

Many planning experts believe that the government's policies may turn out to be less radical than they first appear. For all Gummer's rhetoric, the wording of his department's new guidelines is relatively mild.

"The shift in policy is not one of moving from free development to restricted development," says Ross Davies of the Oxford Institute of Retail Management. "It is a swing back to a balanced view."

* *Vital and Viable Town Centres. HMSO*

Animal art at auction

Paul Augustinus was in trouble. The nearest tree was an unstable sapling. His glasses had fallen as he ran, impairing his sight. The lioness was gaining ground.

Luckily, nature was kind. Augustinus reached the tree, it held his weight, the lioness was distracted. And Augustinus, a wildlife painter, had yet more material for his work.

Wildlife art can be dangerous work; the art market is waiting to see if it is lucrative work. This Friday, in the UK's first specialist wildlife art auction, more than 600 pieces from around the world go on auction at Christie's in London.

The event will span three centuries of art work, capturing bird, mammal and marine life in watercolours, oils, prints and sculptures. It follows Christie's successful bird art auctions, first launched five years ago.

Christie's is keen to see whether the art market follows the growing environmentalism of the 1990s. "Where corporations want to become involved in the environment, it may well be through having a collection of wildlife art," says Gregory Page-Turner, Christie's watercolour and drawings specialist.

Conservation groups also have a vested interest. Several are entering pieces donated to them for the auction. The groups hope to raise more money by auction than they could through usual charitable events.

Five conservation groups will also receive a proportion of the sale price of specific art lots. They are: the Rhino Rescue Trust, Nature in Art, the Dian Fossey Gorilla Fund, Tusk Force Environmental Protection and BirdLife International.

For Augustinus, with three pictures up for sale, the auction is an opportunity to test the real market price for wildlife art – priced from several hundred pounds to £60,000. "Until now, galleries and artists have determined the price – this will set the market value for future 'green art'," he says.

Hilary de Boerr

PEOPLE

Schroder's Mackenzie moves to run GE Capital in Europe

GE Capital, the financial services arm of General Electric Company of the US, has recruited a London merchant banker to spearhead its European expansion. Christopher Mackenzie, 40, has resigned from J. Henry Schroder Wagg & Co, to be the first president of GE Capital Europe.

GE Capital provides around 40 per cent of its US parent's profits and Mackenzie has been given the task of putting its widely dispersed European operations on the map. GE Capital has 13 niche businesses in Europe, ranging from private label credit cards to car leasing, assets of $5bn, and employs 4,600 staff in 14 countries.

Mackenzie, who has worked as a McKinsey management consultant as well as a merchant banker, hopes to double the size of the European business in the next three years. The choice of a merchant banker as president suggests that GE Capital will be making more acquisitions in the financial services industry.

However, Mackenzie is keen to play down the role of acquisitions in his bid to develop a "truly European financial institution". In particular, he stresses that GE has no plans to buy a UK building society but is keen to explore ways GE Capital could supply financial services through "alliances" with societies. "We are well placed to be a friend," says Mackenzie.

In his previous position at Schroders, Mackenzie was responsible for the firm's pharmaceutical and chemical investment banking business for the bank's European clients. David Legg, one of GE Capital Europe's two joint managing directors, has retired and George Tappert continues as Mackenzie's deputy.

■ The death of Des Traynor, the chairman of CRH, has prompted a reshuffle at the top of the building materials group, one of Ireland's biggest and most successful companies.

Tony Barry, currently chief executive, is to become chairman, while Don Godson becomes chief executive designate. He is currently chief executive of the group's US operations.

Barry intends to relinquish his executive role immediately Godson takes up his appointment, no later than the end of this year. Godson, 55, joined CRH in 1968 as general manager development. He was appointed US chief executive in 1978 and joined the CRH board in 1980.

■ Stephen O'Shea, chairman of Apollo Fire Detectors, has also been appointed chief executive of HALMA's gas detection division.

■ Larry Jones has been appointed chairman and ceo of Addison-Wesley, part of PEARSON, on the retirement of Warren Stone.

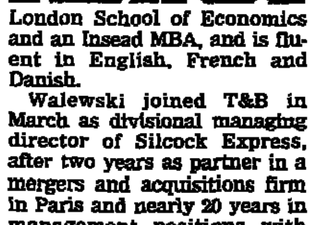
■ John Spearman, chief executive of CLASSIC FM, has joined the board of the Royal Philharmonic Orchestra.

■ Paul Vickers, secretary and group legal director of MIRROR GROUP, has been appointed to the board.

■ Steve Webster, a partner in Price Waterhouse, has been appointed to the board of WOLSELEY as deputy finance director.

Tibbett & Britten adds two to make its board more international

Tibbett & Britten, a large UK-based distribution group, has appointed its first two non-British directors to reflect the growing internationalisation of its activities.



Henrik Tuxen (right), a 37-year old Dane, has joined the group board with responsibility for corporate finance and strategy, while Florian Walewski (far right), 58 and a French national, has been made director with responsibility for European development issues.

Tuxen joined the company in February from Thomas Cook Group where he had been responsible for strategy, acquisitions and new ventures. He had previously worked for ICI and 3M, holds degrees from the London School of Economics and an Insead MBA, and is fluent in English, French and Danish.

Walewski joined T&B in March as divisional managing director of Silcock Express, after two years as partner in a mergers and acquisitions firm in Paris and nearly 20 years in management positions with Transport Development Group.

From 1973 to 1992 he was managing director of Ostra, a French-based subsidiary of TDG with a dozen transport and logistics operations in Europe. He has a French university degree, an Insead MBA and speaks fluent English, French and Spanish.

T&B has operations in 10 countries and makes 28 per cent of its turnover outside the UK.

■ Dudley Pound, previously divisional md of Silcock Express, remains a director of that subsidiary but is also appointed development director, automotive industry logistics. Bob Vickers, chairman of Silcock Express, is to become a non-executive director on the parent board from July; Sidney Gould, former group vice-chairman and director of corporate finance & strategy, has retired.

Electronic switches

■ Richard Humphrey, formerly md at TCAM Systems (UK), has been appointed sales director of COMPUTER SCIENCES CORPORATION's UK division.

■ Richard Jones, formerly UK director of commercial business at IBM, has been appointed director of sales and marketing and Shoaib Quraeshi promoted to finance director at DIGITAL EQUIPMENT.

■ Jeffrey Smith has rejoined Rexene Corp as director, European sales and market development at Consolidated Thermoplastics, part of REXENE.

■ Michael Scannell, formerly president of Daisytek, has been appointed md of ISA UK.

■ Ian Armstrong has been appointed marketing director of SUNGARD CAPITAL MARKETS.

■ Tim Cooke has been appointed md and ceo of OXFORD MOLECULAR, soon to seek a listing; he moves from Oasis.

■ Paul Davies, formerly director of finance for ICL's specialist markets division, has been appointed finance director of SORBUS (UK).

■ Brian Emerson, formerly md of Continental Microwave Technology, has been appointed group chief executive of REAL TIME CONTROL.

■ John Hodges has been promoted to md of RYDER, UK subsidiary of Ryder Systems.

■ Keith Marsden, formerly md of Psion Dacom, has been appointed md Europe of MEGAHERTZ Corp.

■ John Woolford (below) has been appointed director of finance for WIGWAM INFORMATION; he moves from Jones Cable.

Television/Christopher Dunkley

How the money men invaded our screens

Any visiting Martian who last week read the newspapers, listened to the radio, watched television and then took at face value the reactions to the first annual Performance Reviews on commercial television companies by the Independent Television Commission might well be under the impression that a government body had launched a frontal attack on ITV.

He would be led to believe that ITV programmes, once the wonder of the world, were now hopeless, which simply confirmed what all right-thinking people had been saying ever since *Jewel In The Crown* and *Brideshead Revisited*.

Let us recap briefly. Between 1955 and 1992 British commercial television companies were made to behave like public service broadcasters. Then, in the market-obsessed spirit of the 1980s, the government decided to sell the ITV franchises to the highest bidders and swap the old public service body, the IBA, for a "light touch" authority (the ITC) and let the businessmen get on with it.

The Performance Review is the ITC's way of saying whether the businessmen are doing what they said they would. It is an exercise in that modern phenomenon "compliance", largely devoted to estimating whether, for instance, Granada is doing its duty by Equal Opportunities. Affirmative: 1.6 per cent of the staff are from ethnic minorities and 0.4 per cent are disabled.

When it comes to the general performance of the 17 programme licensees, phrases such as "a successful year" (Central), "a strong performance" (Channel) and "a very satisfactory first year" (Ulster) predominate. Just two outfits take a wigging: the breakfast company, GMTV, and the London weekday licensee Carlton.

Of Carlton the ITC says: "The application contained ambitious proposals for network programmes, but only a small number of these were commissioned by the Network Centre for transmission during the year . . . those network programmes which were shown . . . were, with some exceptions, not distinctive or of noticeable high quality."

Derek Jacobi is looking good in the over-long Cadfael

The fact is that, whereas under the old ITV horse-trading system, a big company such as Thames or Granada could muscle its way on to the national network, in the new setup the national schedule is decided by the Network Centre. So none of the companies can guarantee how much of their material will be networked.

Thanks to the government's daft legislation we now have something of a paradox at the centre of commercial television. Having bid vast sums for their franchises, the chief concern of the licencees is to make enough money to pay off those bids plus the government levy and, of course, provide a profit for shareholders.

What they are after is consistency: consistent programmes pulling in a consistent audience. Experimentation and idiosyncrasy do not fit in. Meanwhile the ITC is trying to enforce quality thresholds and making value judgments about programme content.

As a critic I find myself looking less and less to ITV as a source for interesting new programmes; what we see are safe and increasingly repetitive ratings builders. But this is hardly surprising, as it is an inevitable outcome of the government's legislation.

Most nights now there is a big slab of middlebrow, middle-aged, middleweight drama in the middle of ITV's evening: 2¼ hours of *Taggart* (Saturday), 90 minutes of *Cadfael* (Sunday), two hours of *Sharpe* (tonight), an hour of *Moving Story* (tomorrow), an hour of *London's Burning* (Friday). They are not cheap or badly made, though they are often too long.

The opening episode of *Cadfael*, for instance, with Derek Jacobi playing a medieval detective monk, would have been better with 30 minutes cut out. The tone got perilously close to "Ho, varlet" (we had "vile traitors" and "vile thievery") but it looked good, having been filmed in Hungary.

The first episode in Jack Rosenthal's expansion of his one-off drama about removal men, *The Chain*, into the series *Moving Story* was also slow but it is obviously going to be character that counts here.

Much the most entertaining of the new drama series is *Sharpe*, a blood and thunder saga of the Peninsular War with Sean Bean playing a rough diamond officer promoted, unusually, from the ranks by Wellington, thus bringing in the favourite subtext of British television drama: class.

With blowzy camp followers, Peter Postlethwaite playing a marvellous scoundrel of a sergeant who keeps whipping off his cap to use it like a telephone to talk to his mother, and yet more ex-Warsaw Pact locations, it makes a refreshing change from policemen in screeching motors.

Refreshing change: Sean Bean as officer Richard Sharpe in the drama series Sharpe

No doubt such entertainment contributes little to the artistic sensibilities of the nation, but what can you expect when politicians decide that ITV should be an electronic whelk stall? They left Channel 4 to carry commercial television's banner for the arts, alternative programme making, minorities and so on, and Channel 4 does that pretty well. As the ITC report rightly proclaims: "In many programme areas high standards of quality, innovation and distinctiveness were achieved."

On Saturday Channel 4 gave us a splendid evening, providing a live relay of the first performance from Glyndebourne's new opera house, *The Marriage Of Figaro*, with an excellent documentary during the dinner interval about the creation of the new building: *The House That Jack Built*.

You do still come across the occasional outcrop of high quality on ITV. *The Windsors* is an example: a four-part series about the British royal family which began last week with Victoria and had fascinating things to say about George V and his children.

The royals are the best possible subjects for archivists since their activities have been so assiduously filmed, but the material can still be used well or badly and this looks like an outstanding series. Yet, despite the popularity of the subject matter, the Network Centre has decided not to show it until 10.45pm. That arrangement is the natural outcome of the last lot of political fiddling with television.

There is nothing much wrong with Britain's programme makers. The trouble is that those working for ITV find themselves in a system that is concerned more with accountancy and less with programmes.

Guests with class: Elizabeth Hurley appears in tonight's Sharpe

Theatre/Alastair Macaulay

Stately venues give Belgian festival style

When a city gives a festival, part of the festival's fun lies in the variety of venues in which the events occur. The new Brussels Kunsten Festival des Arts – a bilingual name for this Franco-Flemish city – is splendidly endowed in this respect: old proscenium-arch theatres, vast modern halls, derelict churches and studios.

Of the 12 performances I caught there, I was even grateful for the worst – *Une Chose Intime*, a coy little before-and-after conversation about male-female sexual intimacy, performed by ASBL Transquinquennal (Belgian) – because it occurred on the second floor of an empty old house in the city centre.

The Kunsten Festival has won an important place on the theatrical map because it includes so broad a range of world theatre. The emphasis is on modernist and post-modernist drama and theatrical style: this is not a festival for the conventional well-made narrative play with a clear beginning, middle and end. I saw plays from Poland, Romania, France, Italy, Germany, the Netherlands, Belgium, and felt my horizons widened by several of them.

One interesting theme that emerged was the plays of Pier Paolo Pasolini. I have already reported on the Compagnie Nordey's performance of his *Pylade*; later in May, I caught Turin's Teatro Stabile performing his *Calderón* and *Affabulazione*. The Pasolini that emerges from these is an arresting creator of theatrical political dialectic, neither without pretentiousness nor wrecked by it. Both make the political maximum out of basic family relationships.

In *Calderón* Pasolini turns the daughter-lover-father nexus of certain Calderón plays – where the father is the traditional tyrant prohibiting rebellious young love – into a portrayal of the deadening force of fascism intruding unfeelingly to wreck young lives. *Affabulazione* is a full-throttle study of the mid-life crisis of a father who cannot allow his son to enter adult responsibility. Oedipal tensions abound. A certain homoeroticism enters into both plays; male beauty and phallic power were themes that Pasolini could probably never bypass. But the domestic dimensions of fascism – so important to the Italian mind, so strange to the British – become both ironic and serious.

The Teatro Stabile performs the plays, as directed by Luca Ronconi, with extreme elegance, stylised but modern. There is an awareness that one is watching and hearing highly trained actors, whose command of stance, gesture, phrasing, vocal tone is grandly and subtly judged. Not old-fashioned ham, but rigorous, imaginative austerity. And this style, so far from Stanislavskian realism, is the right one for Pasolini's dialectic. Handsome stagings, holding the attention at all points.

The nearest to realism was the Theatregroep Hollandia, who presented in different offbeat venues Marguerite Duras' *La Musica Deuxième* and Wedekind's (five-hour) *Lulu*. This company of marvellous Dutch actors brought a far more compelling emotional tension to Duras' portrait of a heartbroken divorcing couple than Harriet Walter and Larry Lamb were able to achieve in Joseph Blatchley's 1993 Hampstead staging. (The French text, with its untranslatable and long-delayed shift from *vous* to *tu*, helps.)

And in *Lulu*, though the actors spoke in Dutch without surtitles or other translation device, and even though Lulu herself was no Louise Brooks, they communicated vividly and kept the action pithy.

These were highlights, as the German Volksbühne and the French Compagnie Nordey had been at the festival's start. I also admired the Romanian Teatrul National of Craiova in *Phaedra* (part Euripides, part Seneca), a bold staging which has been seen in Glasgow. Its use of chorus and soloists is imaginative, modern and classic; and the actors make Romanian sound one of the most beautiful of languages.

I admired the Polish actors from the Stary Teatr Krakow in the first two acts of *Kalkwerk*, but could not face another act of sub-Woyzeck gloom. As for the Belgian groups Dito Dito and ASBL Transquinquennal, they were solely of local interest.

The Kunsten Festival des Arts continues until June 5.

Air of harmony masks a city out of tune

Andrew Clark reports on the battle for survival of Berlin's three opera houses

Measuring his words carefully, the intendant of Berlin's Deutsche Oper, Götz Friedrich, says he has always enjoyed good relations with Daniel Barenboim, who heads the city's other opera company, the Staatsoper unter den Linden. "Each strives for his house as best he can."

Over in the eastern half of the city, Barenboim's lieutenants acknowledge conflicts of interest with the Deutsche Oper, "but the goodwill exists to live with each other".

Behind the polite avowals of harmony, the Deutsche Oper and Staatsoper are locked in a bare-knuckled fight for prestige and subsidy. Along with the smaller Komische Oper, they swallow DM235m (£94m) of state subsidy a year. In a city still coming to terms with the cost of unification, many regard three opera companies as a luxury. Chilled by the axing of one of west Berlin's leading drama ensembles, each company has been forced on to the offensive to justify its existence.

The immediate cause of friction is a DM9m deficit at the Staatsoper. While Friedrich kept within the Deutsche Oper's budget ceiling, Barenboim went on a spending spree, engaging star conductors and singers in a whirlwind attempt to re-establish the Staatsoper's international reputation, tarnished by years of communist under-investment.

Trade union representatives at the Deutsche Oper say that by virtually writing off the deficit, the Berlin Senate has shown favouritism, and that Barenboim's "arrogance" could provoke calls for more closures – and job losses.

One union official said: "The Staatsoper acted as if the recession never existed. Barenboim seems to think he can get away with it just because of who he is."

After the fall of the Berlin Wall, the only cultural institutions to escape rationalisation were the three opera houses. The Staatsoper was the most run-down, but it had a distinguished prewar history and the most traditional ambience. Barenboim was hailed as the ideal figure to transform the company, and his appointment in 1992 – with a 10-year contract worth DM10m – had the blessing of Richard von Weizsaecker, the president.

But change has been slower than anticipated. Although Barenboim has inspired several artistic successes – notably Patrice Chéreau's staging of *Wozzeck* and the improved sound-quality of the Staatskapelle – he is absent for seven months of the year, leaving less gifted deputies in charge of run-of-the-mill repertory inherited from the previous regime.

Because of the delay in aligning wages between east and west, staff are paid 80 per cent of what colleagues at the Deutsche Oper receive. And whereas the latter operates within one modern building, the Staatsoper's rehearsal and storage facilities are spread over six ill-equipped sites, some of which it shares with other ensembles.

At the Deutsche Oper, Friedrich has a different set of problems. Before unification, he was undisputed king of Berlin's opera life. Suddenly he found himself having to share his throne with two others – Barenboim and Harry Kupfer, who has built an unassailable position at the Komische Oper. Morale at the Deutsche Oper slumped, especially when Friedrich failed to attract a strong music director.

But this season has seen a revival of company fortunes, thanks to Friedrich's fiscal rectitude and a programme balancing new or unfamiliar works with unconventional stagings of popular classics. With 1,900 seats to fill each night (500 more than the Staatsoper), Friedrich cannot afford many experiments. But he has shown that the Deutsche Oper has a useful role and will not cede first place without a battle.

Most critics agree that each company could do more to stress its individual identity. Poor co-ordination means you can still see three different stagings of *Die Zauberflöte* in one week, and there is too much recycling of fashionable names like Hans Schavernoch, who designed productions at all three houses this season.

In a city where culture and politics are inseparable, however, coherent artistic programming alone cannot ensure survival. Berlin's operatic future also depends on the speed of economic recovery, on the whim of politicians like Ulrich Roloff-Momin, the culture senator, and on the fickle tide of public opinion.

Hans-Dieter Roser, head of artistic planning at the Staatsoper, says no one seriously doubts the long-term viability of three opera houses, "but people expect miracles, as if the traditions of the prewar era can be revived overnight". Roser added: "Theatre doesn't work like that. We inherited a divided city, in which each half went its separate way for 40 years. We have to build a new system and develop it organically. That takes years."

INTERNATIONAL ARTS GUIDE

■ BONN

Oper The main event this week is the German premiere of Il Guarany, a four-act opera-ballet by 19th century Brazilian composer Antonio Carlos Gomes. Placido Domingo heads the cast in a production staged by Werner Herzog and conducted by John Neschling (repeated June 8, 11, 14, 20, 24). This month's repertory also includes Tosca and Les Contes d'Hoffmann (0228-773667)
Kunsthalle Gorbachev, a new chamber opera with words by Thomas Körner and music by Franz Hummel, receives its world premiere next Tues (repeated daily till June 12). The work revolves around a rehearsal of a fictitious grand opera inspired by the former Soviet leader, during which the cast question whether such a figure can be represented on stage (0228-773667)

■ BORDEAUX

Grand-Théâtre Sun afternoon: Alain Lombard conducts Orchestre National Bordeaux Aquitaine in works by Haydn, with piano soloist Emile Naoumoff (5648 5854)

■ COLOGNE

Philharmonie Tonight: Daniel Barenboim conducts Chicago Symphony Orchestra in works by Debussy and Stravinsky. Tomorrow, Fri: Barenboim conducts Brahms' Second and Fourth Symphonies. Sat: Ingo Metzmacher conducts Ensemble Modern in works by Nancarrow, Bernstein, Gershwin and Turnage. Sun: WDR Big Band in a Duke Ellington programme. Tues: Dennis Russell Davies conducts Orchestra of the Bonn Beethovenhalle in works by Viktor Ullmann, Philip Glass and Mendelssohn. June 14: Seiji Ozawa conducts Vienna Philharmonic (0221-2801)
Opernhaus Tomorrow, Sat, Tues: Der Wildschütz. Fri, Sun: Gounod's Faust. June 12, 15, 18: Die Walküre with Gwyneth Jones (0221-221 8400)

■ COPENHAGEN

Tivoli Tonight: Paavo Berglund conducts Royal Danish Orchestra in Sibelius' Fifth Symphony and Brahms' First. Tomorrow: Jan Krenz conducts Tivoli Symphony Orchestra in works by Schubert and Mahler, with vocal soloists Brigitte Fassbaender and Josef Protschka. Sat: Yakov Kreizberg conducts Danish Radio Symphony Orchestra in Wagner, Mozart and Dvorak (3315 1012)

■ DRESDEN

Zwinger Tonight: Helmuth Rilling conducts Stuttgart Bach Academy in Bach cantatas. Tomorrow: Virtuosi Saxoniae plays baroque concertos. Fri, Sat, Sun: Warsaw Chamber Opera in three comic intermezzi by Scarlatti (0351-486 6307)
Semperoper Tomorrow, Sat: Gustav Kuhn conducts Michael Hampe's production of Handel's Agrippina. Fri: Capriccio starring Felicity Lott. Sun morning, Mon and Tues evenings: Neeme Järvi conducts Dresden Staatskapelle in works by Stenhammar, Shostakovich and Mendelssohn, with cello soloist Lynn Harrell. Sun evening, next Wed: Wolfgang Rennert conducts Hans Hollmann's new production of The Cunning Little Vixen, starring Patricia Wise (0351-484 2323)
Kulturpalast Sat, Sun: Klaus Tennstedt conducts Dresden Philharmonic Orchestra in Mahler's Sixth Symphony (0351-486 6666)

■ FRANKFURT

Alte Oper Tonight: Heinz Holliger conducts Chamber Orchestra of Europe in works by Schumann, Liszt and Schumann. Tonight (Mozart saal): Concerto Grosso Frankfurt plays chamber music by Spohr, Françaix and Dohnanyi. Sun morning, Mon evening: Sylvain Cambreling conducts Frankfurt Opera Orchestra in Messiaen, Ravel and Debussy. Sun: Italian opera concert (069-134 0400)
Oper Tomorrow, Sat: Frankfurt Ballet in choreographies by William Forsythe and Amanda Miller. Sun: Elektra (069-236061)

■ GOTHENBURG

Konserthuset Sun afternoon: Paavo Järvi conducts Gothenburg Symphony Orchestra and Chorus in a popular programme. Tues evening: Järvi conducts works by Larsson, Gershwin and Dvorak, with piano soloist Roland Pöntinen (031-167000)

■ HAMBURG

Staatsoper Tonight: Die Zauberflöte. Tomorrow: Harry Kupfer's new production of *Khovanshchina*, with Olga Borodina and Matti Salminen. Sat: Hermann Prey song recital. Sun: Hamburg Ballet Festival opens with John Neumeier's new production of Henze's Undine (repeated June 6 and 17). The festival runs till June 19 and includes Neumeier choreographies of Swan Lake, Cinderella, Mozart's Requiem and Mahler's Fourth Symphony (040-351721)

■ LEIPZIG

Gewandhaus Tonight: Ensemble Avantgarde presents Stravinsky's The Soldier's Tale. Fri: Peter Schreier conducts Bach Orchestra in works by Mozart, with violin soloist Christian Funke. Sat: Udo Zimmermann conducts Gewandhaus Orchestra in works by Zimmermann, Mozart and Shostakovich. Sun: Daniel Nazareth conducts MDR Symphony Orchestra and Chorus in concert performance of Puccini's Turandot, with cast headed by Ghena Dimitrova (0341-713 2280)

■ LYON

Opéra Tomorrow: Richard Cooke conducts Lyon Opera Orchestra and Chorus in sacred works by Verdi and Rossini. Fri: John Nelson conducts Klaus Michael Gruber's production of La traviata. Next Tues: first of six performances of Lyon Opera Ballet's American evening, with choreographies by Bill T. Jones, Stephen Petronio and Susan Marshall (tel 7200 4545 fax 7200 4546)

■ MUNICH

Staatsoper Tonight: Peter Schneider conducts Dieter Dorn's production of Cosi fan tutte, with cast headed by Amanda Roocroft and Marilyn Schmiege. Tomorrow, Sun: Noel Davies conducts Richard Jones' production of Giulio Cesare, with Kathleen Kuhlmann and Christopher Robson. Fri, Mon: Dvorak's Dmitrij, with Ben Heppner and Livia Aghova. Sat: John Cranko's production of Prokofiev's ballet Romeo and Juliet. Tues: Nabucco starring Julia Varady and Alain Fondary (089-221316)
Herkulessaal der Residenz Tonight, tomorrow: Carlo Maria Giulini conducts Bavarian Radio Symphony Orchestra and Chorus in Bach's B minor Mass. Mon: Maurizio Pollini plays Beethoven piano sonatas. Tues: Maxim Vengerov violin recital (089-299901)
Gasteig Tomorrow, Fri, Sun morning: Sergiu Celibidache conducts Munich Philharmonic Orchestra in works by Bloch and Shostakovich, with cello soloist Natalia Gutman (089-4809 8614)

■ STOCKHOLM

Royal Opera Tonight, Fri, next Mon and Wed: Arne Mellnäs' new opera Doctor Glass. Tomorrow: Simon Boccanegra. Sat and Tues: choreographies by Ulysses Dove and Balanchine (08-248240)
Drottningholm Tomorrow, Sat, next Tues, Thurs and Sat: Youth and Folly, Singspiel by Edouard Du Puy (08-660 8225)

■ STRASBOURG

Palais de la Musique Tonight, Fri, Sat, Sun: Yehudi Menuhin conducts Sinfonia Varsovia in a cycle of Beethoven symphonies (8852 1845)
Théâtre Municipal Fri: Rudolf Krecmer conducts Bernard Sobel's Opéra du Rhin production of The Makropoulos Case, starring Sophia Larson. Sat: Strasbourg Wind Quintet plays works by Dvorak and Janacek (8875 4823)

■ STUTTGART

STAATSTHEATER
Tonight, Fri: Die Zauberflöte. Tomorrow: Stuttgart Ballet in John Cranko's production of Prokofiev's Romeo and Juliet. Sat: choreographies by Uwe Scholz, music by Beethoven. Sun: Renato Zanella's ballet Mata Hari, music by Shostakovich. Mon: La Clemenza di Tito. Tues: Marcia Haydée's version of Glazunov's ballet Raymonda (0711-221795)
LUDWIGSBURG FESTIVAL
The main event this week is the German premiere of Magic at 4, Johannesburg City Theatre's new musical about political freedom, daily from tomorrow till Sun. There are also violin recitals by Frank Peter Zimmermann tomorrow and Maxim Vengerov on Sun. Next week's visitors include National Ballet of Canada and cellist Lynn Harrell. (07141-939610)

ARTS GUIDE

Monday: Berlin, New York and Paris.
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.
Wednesday: France, Germany, Scandinavia.
Thursday: Italy, Spain, Athens, London, Prague.
Friday: Exhibitions Guide.

European Cable and Satellite Business TV

(Central European Time)

MONDAY TO FRIDAY
NBC/Super Channel: FT Business Today 1330; FT Business Tonight 1730, 2230

MONDAY
NBC/Super Channel: FT Reports 1230.

TUESDAY
Euronews: FT Reports 0745, 1315, 1545, 1815, 2345

WEDNESDAY
NBC/Super Channel: FT Reports 1230

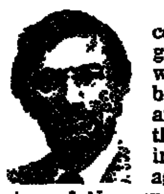
FRIDAY
NBC/Super Channel: FT Reports 1230
Sky News: FT Reports 0230, 2030

SUNDAY
NBC/Super Channel: FT Reports 2230
Sky News: FT Reports 0430, 1730;

Ian Davidson

No to D-day flags

The anniversary should not be a selective event inspired by nostalgia



Next Monday, certain western governments will be celebrating the anniversary of the D-day landings 50 years ago. The invasion of Normandy by American, British and other allied forces was, of course, an extraordinary military exploit: a great achievement of strategic organisation, a scene of heroism, and a turning point in the war against Hitler's Nazi regime. But with the perspective of all that has happened since, it is hard to understand why this particular military event is being given this kind of public emphasis by today's political leaders.

First, it is obviously inappropriate to embark on any kind of simplistic military triumphalism. This was an achievement only bought with immense human suffering, on both sides. There are veterans who lost comrades, and families that lost fathers, husbands or brothers; it is they who can claim an inalienable part of the truth about this campaign. If D-day is to be remembered, it should surely be in a solemn commemoration in church or by a graveside, not with the nationalistic waving of flags. The significance of the Normandy invasion surely should not be reduced to the public rhetoric of patriotic glory.

In any case, the D-day celebrations seem designed to convey a misleading interpretation of history. The flag-waving tacitly suggests that it was the western allies who defeated Hitler, single-handed. We know that the former Soviet Union played at least as big a part, and suffered much bigger loss of life; but do we celebrate the seige of Leningrad, or the battle of Stalingrad, or the reconquest of Ukraine? We do not.

The reluctance of western propagandists at the time to publicise the heroism of the Russians was subsequently reinforced by the cold war. But, in addition, the western celebrations of the Normandy landings have been kept alive as part of a hidden agenda; or rather, two hidden agendas, one French, one British.

The French have promoted the D-day commemorations for reasons of national mythology, the British for national nostalgia.

For the French, it is a way of sustaining the legend that, in the liberation of France, they played an equal part with the Americans, the British and the other allies. This is a partial view of history. General de Gaulle was a great man, and the Resistance made an important contribution; but the French role in winning the war in the west was marginal compared with the overwhelming part played by the Americans.

The Gaullist legend became a vital part of the mythology, to exorcise the painful memory

The significance of the event should not to be reduced to the rhetoric of patriotic glory

of France's humiliating collapse in 1940 and the long and willing collaboration of the Pétain regime with Hitler's Germany.

The exorcism and the mythology were necessary, in turn, to justify France's role, from 1944 on, as one of the big four postwar powers, with a share in the occupation of Germany and a permanent seat on the United Nations Security Council. Since France's great-power eminence is now challenged by the rise of united Germany, it is all the more important to keep alive the memory of D-day.

For Britain, the commemoration of D-day has been made a central feature of the national nostalgia for the days of military glory, when Britain was great and victorious. Above all, those were the days when Britain was allied, on what seemed like almost equal terms, with the Americans. The British have never quite got over the excitement of the association.

The habits and principles of military co-operation developed for D-day became the indelible and sacred template for the later military integration of Nato; and the British are still playing the role of high priests of Nato, as if history and American policy had not moved on.

In political terms, the memory of the Anglo-American line-up against the continental Axis established a distorting prism which is still reflected today in the knee-jerk anti-Europeanism of Britain's ruling Conservative party.

For the purposes of its campaign for the European parliament election on June 9 and 12, the Conservative party appears to be trying to idealise D-day as the epitome of a lost 'golden age'. The reality is that it was one important turning point in a world war which only a minority can now remember; it was not the end of history.

In the meantime, the kaleidoscope has shifted several times in spectacular fashion. The Russians, who were then our allies, became our enemies for 45 years, but are now friends with us again, or at least precarious partners. The Germans who were then the anathema of the civilised world, soon became our allies, and central protagonists in the long process of building a peaceful, democratic and integrated Europe.

If we were celebrating D-day as a symbol of the defeat of Nazism, it would be more broad-minded if we included the Russians; and it should be easier to do so now that we have defeated the aggressive pretensions of Soviet communism, especially since we did so, not through war, but through the peaceful strategy of deterrence exerted by the North Atlantic alliance. But we could also celebrate the Normandy invasion as a symbol of the banishment for the subsequent four decades of war from the continent of Europe; in which case we should include the Germans.

Instead, we are to have a selective celebration, inspired by an atavistic nostalgia, which seems designed to deny everything that has been learned in Europe over the past 50 years. It seems a great pity.

Re-enter the dragon of controversy

Roland Adburgham on the latest allegations to swirl around the Welsh Development Agency

"This is the Welsh Development Agency. The office is now closed," began the recorded telephone message yesterday morning at the agency's Pearl House headquarters, a landmark 18-storey building in central Cardiff.

An extended bank holiday might have come as a relief to the beleaguered staff at the government-funded agency, as it faces yet another brouhaha over the way it is run. On the other hand, its answerphone message might be symbolic of its clouded future – even if closure itself is not on the agenda. Morale at the agency, responsible to the Welsh Office for promoting economic development in Wales and improving the physical environment, is low.

"Everyone is confused," said one insider. "Every time there is something positive, there is then another knocking story."

The latest allegations centre on a BBC Wales television investigation. The broadcast last night claimed that the Welsh Office had unlawfully used the agency to channel £7m in grants to mid-Wales, with the presumed purpose of bolstering Conservative prospects in marginal constituencies after the region had lost assisted area status in 1982. This, the programme claimed, was outside the agency's legal powers.

As the Labour party called for the resignation of Mr John Redwood, Welsh secretary, he retorted by denouncing the BBC for what he called "scandalous allegations" and a "put-up job". He said the grants had been legally disbursed and parliament had been told of the scheme in 1982.

Whatever the rights and wrongs of the latest claims – and Mr Redwood put the calls for his resignation in the context of campaigning for next week's European Parliament elections – the government's embarrassment over Welsh quangos in general, and the WDA in particular, remains considerable.

Since Mr Redwood succeeded Mr David Hunt as Welsh secretary in May last year, he has confronted a seemingly unending series of disclosures concerning the quangos – the unofficial name for non-departmental unelected public bodies.

At present, the Conservatives only hold four of the 38 parliamentary seats in Wales, and the growth in the principality of quangos since the Tories came to office in 1979 is seen by many government critics as a way of bypassing the electorate. Professor Kevin Morgan, of the department of city and regional planning at the University of Wales, last autumn published a study of quangos pointedly called *The Democratic Deficit*, which called for more accountability.

The WDA, as the biggest Welsh quango with a total budget of £167m for this year, is at the centre of the argument about the role of such bodies. Mr David Rowe-Beddoe, appointed chairman by Mr Redwood last summer to rid the agency of its aura of unacceptable behaviour, was found to have been a former Conservative party fund-raiser overseas.

While Mr Redwood denied having known this when he appointed Mr Rowe-Beddoe, the incident served to reinforce claims that Welsh Office appointees to quangos have not always been politically neutral.

The WDA itself was set up by act of parliament in 1975 (under a Labour government) and has played the leading role in dealing with Wales's legacy of old heavy industries – coal, iron and steel. Its efforts at land reclamation, urban regeneration and winning overseas investment have been widely praised.

What has not been admired is the way in which it failed to reconcile its responsibilities as an agency of government, accountable to parliament, with its attempts to play an entrepreneurial role more appropriate to the private sector.

Its entrepreneurial culture stems from the days of Mr Peter Walker, now Lord Walker. As Welsh secretary in 1988 he chose Dr Gwyn Jones to be chairman of the WDA. Although the post is sometimes called "the second most important in Wales", Mr Walker did not have it advertised, nor did he seek personal references from Dr Jones, then a little-known Swansea businessman in his late thirties. Dr Jones, described as "dynamic" by advocates and "flamboyant" by critics, successfully promoted Wales and the agency on an international stage.

Mr Walker gave Dr Jones the brief of recasting the WDA's strategy to make it more commercially aggressive and, in particular, to devote time to winning inward investment. The agency's achievements in that latter aim have been significant. But Mr Walker's bullishness that the Welsh economy could be rapidly transformed, with the WDA acting as a catalyst, has proved to be misplaced, even though unemployment was brought down to the UK national average.

While Mr Walker and Dr Jones were selling Wales around the world, however, the agency's managers failed to stop the kind of internal practices which last year were criticised by the Commons public accounts committee.

While there was no evidence of corruption, these included a loss of £1.4m on an unapproved agency redundancy scheme, the provision of free private motoring for senior agency executives, expenditure of more than £300,000 on consultancy fees to consider partial privatisation, which was not identified separately in accounts, and the appointment of a convicted fraudster as marketing director. Another board member until recently was Sir Donald Walters, a prominent Conservative supporter in Wales.

Dr Jones ended his chairmanship early last year. Mr Philip Head resigned as chief executive last October after the public accounts committee's criticisms, and other heads rolled, including that of Mr Mike Henry, director of corporate services, who is bringing a case of unfair dismissal, and who contributed to last night's BBC programme.

A wholesale restructuring of the agency, which entails the loss of about 70 of its 420 jobs, is under way under Mr Rowe-Beddoe, and a new chief executive, Mr Barry Hartop. The board has been strengthened by the appointment of Professor Garyl Rhys, an automotive industry expert, and Rhiannon Chapman, former director of the Industrial Society.

One ex-officio vacancy on the WDA board is that of the chairmanship of another quango, the Development Board for Rural Wales. The awkward reason for the vacancy is that Mr Glyn Davies, the rural board's chairman, resigned last month in the wake of another blistering report by the Commons public accounts committee over an illegal housing allocation scheme. No successor has yet been appointed because Mr Redwood is reviewing the rural board's entire future.

The Welsh Office itself has not managed to divorce itself from criticisms of the quangos. Earlier this year, Mr Michael Scholar, permanent secretary, found himself taken to task by the public accounts committee for the Welsh Office's failure to demand disciplinary action at the quangos, and only last month the committee described the department's monitoring of public accounts as "unacceptable".

While Mr Redwood may feel he is unfairly bearing the brunt of allegations relating to events that took place before his time, after his first year in office the quangos continue to provide ammunition for his opponents. Board members are on the defensive and regard much of the criticism as politically motivated. Yesterday, one commented: "There are axes being ground. If the power base were reversed, would it be very different?"

Prof Morgan counters by saying that the common thread in the scandals is the culpability of the Welsh Office in its monitoring of the quangos. "The key issue is to try to restore some credibility to the appointment process – it is far from being transparent and certainly not fair," he says. "It needs to be far more impartial. The second issue is they way they are regulated."

This leaves the task of raising the credibility of "quango-land", as Mr Redwood himself has described it, firmly at the Welsh secretary's door.

LETTERS TO THE EDITOR

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London SE needs 'circuit breakers' to avoid volatility

From Mr David Grenier.

Sir, A large part of the market turmoil seen in London last week can be directly attributed to the operation of futures and options trading. On the two days when the FTSE-100 Share Index fell more than 50 points, futures trading was heavy while trading in the actual market was light.

The trading rules of the London market encourage aggressive use of traded options and futures, whether on the bear or the bull tacks. It is surely now time for the stock exchange to follow the lead of the New York Stock Exchange (and other markets) by introducing "circuit breakers". These would come into operation automatically on a 50-point fall (or rise) in the FTSE-100 Share Index.

Only in this way can the London market avoid the creation of false markets through excessive volatility.

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Conditions must be right for China to be in Gatt

From C M Purvis.

Sir, Your leader, "Bringing China into the Gatt" (May 30), stresses the need to deal with some difficult issues before finalising China's accession to the General Agreement on Tariffs and Trade or to its successor, the World Trade Organisation.

You are right to include in the list of such issues the state-owned enterprises and the export of prison-produced goods. What is equally important, however, is to obtain the removal of non-tariff barriers inhibiting exports to China, together with a substantial reduction and binding of Chinese tariffs. Such a step – if properly implemented by China and policed by Gatt and WTO – would at once cut the ground from under backward looking policies of central control and self-sufficiency; it would also, importantly, make it much more difficult for Chinese enterprises to disrupt world markets by dumping practices.

It is vital for the world trading system to get these conditions for Chinese accession right. The Gatt should not be pressured into agreeing unsatisfactory compromises for the sake of speed.

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View of the EU does not represent the majority

From Mr Gerald Frankel and Mr Ben Coleman.

Sir, Lord Chalfont and others are quite wrong to put forward their view of the European Union as that of the "silent industrial majority" (Letters, May 31). The millions of owners and employees of small businesses would be unlikely to agree with its main contentions.

The European single market may suit multinationals but it remains a threat rather than an opportunity for most small UK firms (only the largest companies, for example, can afford to commit resources to ensuring that new European standards are not to their disadvantage).

The European social chapter is irrelevant to small companies, which are specifically exempted by Article 2 ("directives shall avoid imposing administrative, financial and legal constraints in a way which would hold back the creation and development of small and medium-sized undertakings"). They are more worried by issues such as late payment by larger firms.

The potential entry into the European Union of low-cost central and eastern European countries, while welcome to importers and to multinationals seeking ever cheaper labour, fills most small firms with dread.

By all means give space to Lord Chalfont and his friends. But please acknowledge which part of British industry they are coming from.

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More to be done in order to contain derivatives risk

From Mr Michael Chamberlain.

Sir, Your report "GAO rings alarm bells over danger of derivatives" (May 19) concludes with references to the recommendation of the General Accounting office in the US that regulatory attention should be paid to the accounting and disclosure regime for derivatives.

While many different accounting recognition and measurement issues related to derivatives remain to be resolved both in the US and elsewhere, more could quite quickly be done in the disclosure field internationally to ensure that investors are made aware of companies' strategies for risk management and their exposures to both credit and market risk, as a minimum.

Progress has already been made in some countries in this field. The examples already set could usefully be followed by others and the UK is one of those where there is ground to be made up.

But accounting standard sectors from various countries and the International Accounting Standards Committee are meeting this month in Edinburgh to examine this subject.

It is to be hoped that advances can usefully be made there on the priority issue of disclosure, even if agreement on accounting proves to be more elusive.

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Negative view of what is an essential policy of privatisation

From Mr David Ringrose.

Sir, Those reforms in eastern Europe and the former Soviet Union that have had the most positive effect on sustainable, long-term job creation have been brought about by those who recognise that private enterprise is a way of facing up to the pressure of the invisible hand of the market.

By ignoring the positive motives for governments' decision to withdraw state control over sectors of the economy, the article "Privatisation in Europe could cost 800,000 jobs" (May 25) presents privatisation as a zero-sum game, rather than as a tool for managing change in a global economy. It is a one-sided view of a policy the many virtues of which the FT has long extolled, not least, implicitly, in the editorial, "A manifesto for business", of the same day ("It is encouraging that the government now accepts that [big new spending on industrial support] more often [creates] problems by retarding essential adjustment"). To what does BA owe its increase in profits, except to such "essential adjustment"? Why do BT, British Gas and British Steel have healthier futures than most of their competitors?

Privatisation is not a cure-all, but it is surprising to see the FT highlighting only the negative side of an essential policy.

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The battle for dividends

Despite a widespread assumption to the contrary, Tory governments are not invariably on the side of big dividends. In the early 1970s, the Heath administration shocked the City by capping payments to shareholders while imposing a pay freeze. In a recent speech, the Financial Secretary to the Treasury Mr Stephen Dorrell made it clear that the present government would not repeat the mistake of intervening directly in fixing dividend levels. But he suggested that companies appeared to be over-distributing – a view shared by Labour – and that this could have an adverse impact on investment.

The government's case has been vigorously attacked by fund managers, including Mr Paddy Linaker, managing director of the M & G Group, in these pages. His views are widely shared by other institutions including the pension funds, who have been caught on a particularly raw nerve. The average British pension fund is now mature, with pensions being paid out of investment income rather than new cash flow from contributions. Pension fund managers are thus more sensitive to changes in investment income. And they have been stung by the reduction in tax relief on dividends introduced by the former chancellor Mr Norman Lamont, who failed to recognise that taxing pension funds simply forces companies to raise pension contributions.

In economic theory, investors should be indifferent to whether profits are distributed or reinvested. But statistical research by investment bankers BZW has shown that since 1918 two-thirds of the total UK equity return has come from income rather than capital. There is thus a natural tendency for British fund managers to pay particular attention to dividends. And since the growth of tax-exempt institutions has introduced a bias towards distribution into the corporation tax system, it is not surprising if dividend cover is on the low side by international standards.

Reluctant buyers

For pension funds approaching maturity the obvious step should be to increase holdings of gilt-edged. Yet British fund managers' memory of the destruction of fixed-interest values is too recent to make them other than reluctant buyers. Small wonder that they now want the equivalent of the commercial property landlord's upward-only rent review in equities. The question is whether this attempt to turn equity into a more stable, low-risk investment makes sense for companies and the wider financial system.

Artificial boost

There is anecdotal evidence that the recent reduction in dividend cover to historically low levels is partly a hangover from the 1980s contested takeover boom. Industrialists have no wish to alienate investors who may be the arbiters of their fate in a future bid battle. Yet some argue that a fall in dividend cover is appropriate in today's low-inflation environment, since historic cost accounting no longer provides such a big artificial boost to reported profits. And while research by academics at the Institute for Fiscal Studies suggests that the level of retentions does affect investment spending for a significant proportion of companies, the historical correlation between high payouts and high investment by industrial and commercial companies remains striking.

CBI surveys suggest that industrialists are far more worried about inadequate returns on investment than shortage of finance. That, in turn, reinforces the suspicion that companies have been slow to reduce hurdle rates of return and payback periods in response to disinflation. This leads to two mutually contradictory possibilities. Either companies are reluctant to invest because they believe that inflation is set to rise again, in which case their hurdle rates of return are right and dividend cover is too thin on a historic cost basis. Or the constraint on investment that Mr Dorrell fears has nothing to do with low dividend cover and everything to do with management's failure to adjust hurdle rates to disinflation.

The way to resolve this dilemma is not for the government to tinker with the tax system on the basis of inconclusive data. Time and market forces will anyway help bring about an adjustment. For their part, industrialists should recognise the legitimate income needs of the institutions, but be robust in defending their cash flow when prudence requires.

Tangled yarn in Ulster

Northern Ireland has the highest unemployment rate in Britain, an economy unhealthily dependent on public support and an image which can deter foreign investors. Any private sector manufacturing project which promises to create hundreds of jobs there should normally be welcomed. However, such a welcome can only be extended with confidence when there is clear evidence that the project stands a reasonable chance of success.

It is difficult, on the basis of the public information available to date, to form such a judgement about the plan by Hualon, a Taiwanese industrial conglomerate, to build a £157m synthetic fabrics plant in Belfast. Too many unresolved questions surround the background of some of the individuals involved, the economics of the project and the manner in which it has been dealt with by both British authorities and the European Commission.

These questions take on particular importance because the plant is being assisted with £61m of public money. It is surprising that the government proposes to give these funds to a company, two of whose top managers have been charged – and one of them convicted – in connection with an alleged financial fraud. Ministers have declined to say whether they knew of the charges and, if so, why they considered it proper to back the project. Inquiries have been referred to Northern Ireland's Industrial Development Board, which conducted the negotiations with Hualon. The IDB's response has also been unsatisfactory.

Shrinking market

Lack of clarity also surrounds the plant's proposed operations. The market it is being set up to supply is already shrinking, and will face further pressures as the EU lifts controls on imports from developing countries with far lower labour costs. The IDB says Hualon plans to compete by using highly automated capital-intensive production methods. Yet it claims the plant will employ 1,800 people. Not only is that figure regarded as high by others in the textiles industry, but the European Commission says it was able to approve state aid for the plant only because its technology is so basic that it will not threaten other EU producers.

Just where the truth lies is impossible to say, since the IDB refuses to disclose any details of Hualon's business plan or of the procedures used to vet the project. Nor is there any evidence that the business plan was scrutinised by independent experts before the go-ahead was given. It is difficult to imagine any prospective private investor not taking such an elementary precaution. The IDB's apparent failure to do so hardly encourages confidence in the plant's viability.

UK lobbying

A different set of issues arises from the conditions in which the project was approved by Brussels. The UK government's energetic lobbying for approval – against competition objections from commission experts – is inconsistent with its repeated criticisms of other countries' industrial subsidies. Nor has the Commission's apparent readiness to yield to political entreaties enhanced its reputation for impartiality.

Beyond that, the case highlights a deeper dilemma in EU policy. In principle, its efforts to encourage the transfer of resources to Europe's poorer regions is to be commended. In practice, the result has too often been rivalry between governments to woo mobile investments with large financial inducements. These penalise other producers and distort markets, particularly in sectors such as synthetic fibres where there is chronic excess capacity. Such policies also risk attracting marginal investment projects which cannot raise funds elsewhere.

Above all, governments' overriding desire to create jobs can too easily impair their judgement. A memorable consequence was the De Lorean car venture in Northern Ireland, which collapsed in the early 1980s. There is no evidence to suggest the Hualon plant will suffer a similar fate. But taxpayers and the people of Belfast need more information about the project. The political accountability of the IDB also needs to be clarified. If ministers will not provide answers voluntarily, the newly-formed Commons Northern Ireland committee should require them to do so.

Pressure to devalue the Greek currency will not abate while the economy is unbalanced, says **Kerin Hope**

Out of sync with their partners

Greek investors, some carrying attaché cases filled with cash, crowded into banks and brokers' offices yesterday to take advantage of the highest interest rates of the postwar period. The drachma crisis has sent short-term rates soaring, with commercial banks offering returns on deposits that match the Socialist government's issue of a new series of high-yielding bonds.

The Greek currency has survived more than two weeks of speculative pressure, but at a heavy cost. The sharp increase in interest rates on tax-free government securities is the latest move in the battle to avert a devaluation.

Mr Andreas Papandreou, the Socialist prime minister, insists devaluation must be avoided because it would fuel inflation and undermine confidence. He sounded optimistic at the weekend, asserting: "The battle for the drachma is still continuing and it is critical, but it has effectively been won."

The drachma slipped yesterday, closing at 148.1 against the D-Mark compared to Dr147.9 on Monday. But it is still supported on a cushion of foreign currency from overseas investors attracted by the government's series of "superbonds". A one-month zero-coupon bond was issued at 27 per cent, while the three-month Treasury bill, offered last month at 16.5 per cent, now carries a rate of 25.5 per cent.

Greece's currency crisis was triggered by the government's decision on May 16 to lift all remaining controls on capital movement, six weeks ahead of the deadline set by the European Union. There has been no flight of capital, because of high domestic interest rates and the introduction by the central bank of complex regulations for transferring funds abroad. But liberalisation provoked immediate attacks on the drachma. Financial markets expected that the government would devalue rather than exhaust Greece's modest $9bn foreign exchange reserves in trying to support the currency.

The reasons for the drachma's problems, however, go deeper. Because of its chronically high inflation rate, Greece was not able to join the exchange rate mechanism of the European Monetary System. The central bank's "hard drachma" policy, allowing the drachma to depreciate against other EU currencies at a slower pace than inflation, has made the currency appreciate in real terms: most estimates suggest the drachma is overvalued by at least 20 per cent.

Another reason for the drachma's current weakness is the failure of recent governments to reduce the public sector deficit, which this year could reach 17 per cent of gross domestic product. With spending exceeding economic growth for the past decade, Greece's accumulated debt is now equal to about 150 per cent of annual GDP. This month, the government must raise some Dr450bn (£1.2bn) from domestic and foreign investors to pay interest charges on this debt.

"The debt is deterring investment. Servicing costs are so large that interest rates cannot come down. And the new bond issues will lock the government into maintaining even higher interest rates," says Mr Peter Doukas of Citibank, the US bank.

Mr Papandreou's decision to defend the drachma by raising short-term interest rates comes at a particularly awkward moment. Unless measures to boost income are taken quickly, a shortfall in tax revenues through evasion will increase the government's borrowing requirement this year to 18 per cent of GDP, against a budget target of 12.8 per cent.

The need to improve revenues has forced the Socialists to abandon their ideological opposition to privatisation. Unbundling the state is now a priority, with public offerings being planned for several utilities, starting with OTE, the state telecoms monopoly. The flotation of 25 per cent of OTE later this year should raise Dr250bn, enough to cover half the projected revenue shortfall.

Andreas Papandreou, prime minister

More drastic measures, however, will be needed to restore the drachma's stability. Economists are calling for both short-term measures to boost revenues and structural reforms to reduce the annual public sector deficit. "Now that capital controls are gone, the drachma can come under pressure at any time. The only serious defence is to address the underlying problems – the yearly deficits and the total debt," says Ms Miranda Xafa of Salomon Brothers, the US investment bank.

Mr Alexandros Papadopoulos, the finance minister, claims that renewed efforts to collect tax arrears will yield an extra Dr200bn later in the year to cover the rest of the expected shortfall. With European Parliament elections less than two weeks away, the Socialists are reluctant to incur the political cost of launching an emergency fiscal package.

Mr Papadopoulos argues that the benefits of short-term measures such as price increases for petrol and utilities would be outweighed by their impact on the inflation rate. Since their return to power last October, the Socialists' main economic task has been to bring inflation down to single digits during 1994. But in April the year-on-year inflation rate crept up from 10.2 to 10.4 per cent, ending a steady 10-month decline.

Nevertheless, the government is under increasing pressure from its EU partners to introduce structural reforms. The rising deficits and debt are pulling Greece further from the Maastricht economic convergence targets. The gap with the rest of the EU will widen again this year, with GDP growth in Greece forecast at less than 1 per cent.

Mr Henning Christophersen, the European Commissioner for economic affairs, has proposed that Greece should use its position as EU president to win approval at this month's Corfu summit for an economic package. To reduce the public sector deficit, it should include deep spending cuts. With payroll and pension costs accounting for 40 per cent of budget outlays, there seems no alternative to shutting loss-making state enterprises and eliminating a large proportion of the 50,000 civil service jobs. Like their conservative predecessors, the Socialists are unwilling to adopt such unpopular measures.

Yet they could pay a high price for ignoring the Commission's advice. Greece is already unpopular with its partners for failing to implement two previous stabilisation plans since 1990 and over its blockade of the former Yugoslav republic of Macedonia. The Commission is preparing legal action against Greece for violating Treaty of Rome requirements on EU trade with the embargo.

Recovery in Greece is based on the assumption of increased inflows of EU assistance, amounting to Ecu16.8bn over the next five years. As well as promoting growth through grants that will cover up to 80 per cent of financing for large infrastructure projects, the funds will help to keep Greece's current account deficit at manageable levels – about 2 per cent of GDP. But if Greece fails to make progress towards the Maastricht targets, some EU financing may be withheld.

Such progress may be difficult because the chances for economic recovery are now threatened by the turmoil on Greek financial markets. Triple-digit interest rates on the interbank market are creating a liquidity squeeze for Greek banks, now being reflected in soaring interest rates for corporate borrowers.

The banks' most reliable customers saw interest charges on "working capital" jump from 25 to more than 40 per cent last week, while new borrowers were turned away. Moreover, the liquidity problem is likely to continue as deposits are siphoned off into high-yielding government securities. "It's impossible to hold money market rates at such high levels for more than a couple of weeks without disrupting the whole economy," Ms Xafa says.

Few economists believe the drachma can withstand prolonged pressure. Given Greece's underlying economic imbalances, the question of devaluation is likely to resurface. In the medium-term, the "hard drachma" policy will have to be relaxed to accommodate a faster slide than the 6 to 7 per cent projected for this year. But the longer the government delays the needed fiscal stabilisation, the greater the risk that the decline of the currency will become totally out of control. As Mr Doukas says: "The question is not whether, but when and by how much the drachma will come down."

German M3 boiler builds up steam

PERSONAL VIEW

As German broad money supply (M3) now seems set to exceed its target for the third year in a row, pressure on the Bundesbank is growing to ignore what Bundesbank president, Mr Hans Tietmeyer, calls an "important intermediate indicator". The Bundesbank itself has been strengthening the hand of critics of monetary targeting by lowering interest rates sharply despite very strong money supply growth in the past six months.

Abandoning M3 now as a signpost for monetary policy would be a grave mistake for at least two reasons. First, there is no convincing evidence so far that the long-run relationship between money supply growth and inflation has ceased to exist. Publicly available independent studies, such as those from the Kiel Institute of World Economics and the OECD, have found some evidence for a short-term disturbance in the demand for money in the wake of German unification. But they have failed to reject the hypothesis that the long-run demand for money has remained stable.

Second, excessive money supply growth has reflected the partial monetary financing of government debt, which, if continued, could threaten the purchasing power of the D-Mark.

In recent months Bundesbank representatives and other observers have attempted to explain the rampant growth of money supply on the basis of portfolio shifts between money and "monetary capital" (the longer-term liabilities of the credit institutions, excluded from M3).

In reality, however, expansion of credit has been driving money supply growth. At the end of 1993, total bank credit amounted to about DM3,800bn, money (M3) to DM1,900bn, and monetary capital to roughly DM2,100bn.

With bank credit rising at an annual rate of 10.3 per cent between the end of 1991 and the end of 1993, monetary capital would have had to grow substantially above this rate to neutralise the effects of credit growth on M3.

In fact, monetary capital grew at an annual average rate of only 7.7 per cent, so the annual rise of M3 during this period was 8.7 per cent.

If the expansion of bank lending had been used to finance investment in future productive capacity, there would have been little reason to worry.

However, between the second half of 1990 and the second half of 1993, real investment in machinery and equipment in united Germany declined by about 4 per cent. This suggests that most of the credit was used for housing construction and consumption.

Twice this century the monetisation of government debt has led to German hyperinflation

An important source of the demand for bank credit was the public sector. Between the end of 1989 and mid-1993, public debt rose by 52 per cent. By the end of 1994, the rise will be more than 115 per cent. The lion's share of this increase was incurred to finance transfers to east Germany. Since the appetite of German domestic savers for government bonds was not sufficient to absorb the new debt, the government exported part of it by selling bonds abroad, and allowed the monetisation of another part.

Reflecting foreign purchases of government bonds, the German public sector's external liabilities rose by 115 per cent between the end of 1989 and mid-1993. Reflecting the monetary financing of government debt, bank credit to the public sector rose by 56 per cent between the end of 1989 and February 1994.

As a result of the increase in public bank credit, banks' holdings of government bonds rose by 132 per cent during this period.

As a result of these factors, M3 increased by 46 per cent between 1989 and 1993, considerably outstripping the rise in real GDP in united Germany of only 19 per cent.

Twice this century, after the first and second world wars, the monetisation of government debt has led to hyperinflation in Germany and subsequent monetary upheavals.

It is worth remembering that, in both periods, the government authorities undermined and eventually broke the initial resistance of the Reichsbank against monetary financing of government debt.

It would be clearly exaggerated to compare the past financial burdens caused by lost wars with those arising in the wake of German unification. Nonetheless, if the central bank helps to finance the rapid accumulation of public debt, the government-financed operation to shore up east Germany since unification has clear potential to create creeping inflation.

In such circumstances, ignoring soaring money supply would be like suppressing the information from a pressure gauge of a boiler in which the steam is building up.

Thomas Mayer

The author is senior economist, Goldman, Sachs, Frankfurt. He writes here in a personal capacity.

OBSERVER

Waste disposal unit

■ Denmark did not much like the European Bank for Reconstruction and Development when it was headed by Jacques Attali.

Nothing much has changed now it's run by another Frenchman, Jacques de Larosière.

Svend Auken, the Danish environment minister, has peeved the EBRD over his invitation to east European environmental ministers to attend a conference in Copenhagen tomorrow. The subject: discussion of "soft" loans to clean up messes left by the former communist regimes.

The EBRD is still very sensitive over its role and likes to keep all matters east European under its belt.

Thus, suggests Auken, the bank is trying to flush away his meeting. "Given a choice between building a Coca Cola plant . . . and a purification plant for sewage waste, they (the EBRD) will always choose the former," says an Auken aide.

The Danes claim the EBRD is pointedly sending only junior staff to Copenhagen, and that the bank has put word out that those east Europeans sending ministerial-level deputations can whistle for cash in future.

Such is the strength of EBRD influence today, that all the ministers invited have told Auken they will attend with pleasure.

Wouldn't have happened in Attali's day . . .

Lea makes way

■ Why is it that otherwise sensible economists are seduced by the bright lights of the media? It can't be the cash, since the best ones are already paid a handsome whack. It must be the chance of fame and glory.

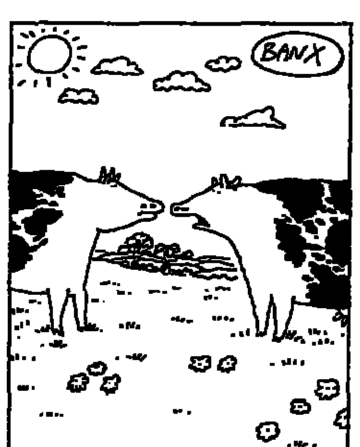
Ruth Lea, currently chief UK economist at Lehman Brothers, is joining the UK's Independent Television News as economics editor, taking on the difficult task of explaining to a mass audience the intricacies of M0 in 50-second sound bites.

Lea is thus going to be ITN's answer to Peter Jay, the BBC's economics guru. Jay declines to tone down his highbrow style and complex sentences – refined since his days as presenter of Weekend World in the 1970s – and thus has an avid following of at least three – the governor of the Bank of England, the programme producer, and Jay himself.

Lea has a more crisp, down-to-earth style, no doubt honed by 16 years in the civil service. She will need it in the increasingly tabloid-style ITN.

Breathe deeply

■ We now all know that president Clinton never inhaled. No such shyness from Aussie politicos.



'I'd worry about going to Germany in case I got rabies'

Hours into her new job, the irrepressible Bronwyn Bishop, the Liberal Party's health spokeswoman, announced she supported tobacco advertising.

When Carmen Lawrence, the federal health minister, berated Bishop for this attitude, Bishop countered by recalling Lawrence's admission that she had used marijuana and "lived to tell the tale".

With Swiftian wit, the health minister riposted by saying that Bishop's boss Alexander Downer, had said much the same about his encounters with the weed, which perhaps explains why he has been picked as the new head of the Australian opposition.

Prime minister Paul Keating – former manager of rock band The Ramrods – is in the clear: "The heaviest I got was a few cases of beer behind the stage after a concert," he recently acknowledged.

But despite all this badinage, Canberra wits suggest the real problem with local politicians is that they all remember to *exhale*.

Fidel burger

■ Conclusive evidence that the Cuban revolution is over: the government is trying to interest foreign investors in rehabilitating and operating Havana's Sloppy Joe's bar, formerly one of the country's leading tourist attractions.

Closed almost 30 years ago, the bar featured popular, albeit down-market fare. Whoever takes on the job has been promised the same building.

But will the famed innocent-tasting but potent daiquiris and planter's punches, as well as the splendid *jamon y queso* sandwiches return?

Missing for sure will be the stunning señoritas once available for encounters at Sloppy Joe's. Some aspects of the revolution continue to defy change.

The building containing the bar still has photos of some of its better known clients, including boxer Joe Louis and film stars such as Errol Flynn, Ava Gardner, Frank Sinatra and Alec Guinness.

One thing will have changed: the new bar is certain to have a no-smoking section. Maybe the country's leading non-smoker – Fidel himself – will take a seat.

Spanish stanza

■ The literary brilliance of London's brokers marches on, with Williams de Broë choosing to head a recent research note on Spanish bonds with the following lines from W H Auden's poem *In Memory of W.B. Yeats*:

In the deserts of the heart
Let the healing fountains start,
In the prison of his days
Teach the free man how to praise.

It used the text to suggest that former central bank governor Mario Rubio's stint in jail was "of minor importance to Spanish politics and to the Bonos market", and Felipe González "is a good doctor".

Staggering percipience. The boys at de Broë should have concluded with another Auden verse of equal relevance:

The glacier knocks in the cupboard,
The desert sighs in the bed,
And the crack in the tea-cup opens
A lane to the land of the dead.

OK?

■ What's the difference between ignorance and apathy?

I don't know and I don't care!!

FINANCIAL TIMES
Wednesday June 1 1994

Government urged to speed pace of deregulation

S Korea considers early OECD entry

By John Burton in Seoul

South Korea is considering an unexpectedly early entry into the Organisation for Economic Co-operation and Development, which yesterday urged the country to increase the pace of deregulation to ensure continued growth.

The South Korean finance ministry said the government was contemplating a December application to the OECD, which it was hoping to join in 1996. The entry will mark another important step in the country's rapid economic progress.

In a survey released yesterday, the OECD gave good marks to a comprehensive package of economic deregulation and financial liberalisation measures proposed last year. But it added several caveats to its approval, particularly in the area of financial liberalisation.

"In contrast to false starts in the past, it is important that this [deregulation] programme be implemented in full, and at a pace which leaves markets in no doubt that the process is irreversible," the report said.

It said that even if the reform plan was implemented by 1997, the Korean financial system will still have a higher degree of control than is found in most OECD countries.

It suggested, for example, that controls on capital inflows should be further loosened despite Korean fears that it could lead to inflationary pressure due to an increase in money supply. Other recommendations included a quickening of interest rate deregulation and allowing financial institutions more freedom to introduce new products.

The Korean government has used its tight control over the financial system to guide industrial policy, and an easing of controls will be seen as a challenge to its authority.

The OECD was critical that "some elements of the old credit allocation will remain at the end of the liberalisation period".

These include a requirement that banks extend 45 per cent of their loans to small companies to promote their growth, while restricting loans to the 30 largest conglomerates, or chaebol. The OECD suggested the government's efforts to curb the economic power of the chaebol through credit restrictions were misguided.

"An economically more efficient policy would give the chaebol complete freedom to determine their activities. This considerable power over private companies is not only at variance with the concept of a free-market economy but may also put domestic firms at a disadvantage" in competition with foreign rivals, it stated.

It recommended that the government should instead focus on "preventing actual abuse of market power" by the chaebol.

Europeans seek role in Japanese aircraft project

By William Dawkins in Tokyo

European aerospace companies yesterday called on Japan to include them in its latest attempt to fulfil a long-frustrated ambition of creating a world-class Japanese civil aircraft industry.

They said Japan was depriving itself of the "longstanding experience of European manufacturers in the regional market" by including Boeing as the sole western aerospace group in a development project for a short-range passenger aircraft, code-named YSX. China is also taking part.

The 70-80 seat airliner, due to come into service at the turn of the decade, is the centrepiece of Japanese civil aerospace policy, according to Mr Toshifumi Hirai, director of the Ministry of International Trade and Industry's aircraft and ordnance division. As such, it is of vital interest to foreign suppliers.

Japanese officials said the inclusion of Boeing in the initial research for the government-backed YSX did not mean European suppliers would be excluded.

However, the European Business Community, Europe's main business lobby in Japan, is unconvinced, and said yesterday the exclusion of European suppliers would "further contribute to the imbalance between the US and Europe in Japanese aerospace collaboration".

ATR, the Franco-Italian regional airliner-maker, and Saab-Scania of Sweden are among the groups hoping for for a stake in the project.

Until last year, Miti was hoping to develop a medium-range, 150-seater aircraft, YXX, with Boeing. But the ministry had to freeze the YXX after Boeing went for the cheaper option of updating an existing aircraft series. Japan was unable to continue alone, a frustrating reminder of its dependence on US technology.

Japan's only two home-grown civil aircraft since the war, the YS11, a 64-seat twin-propellor airliner, and the Asuka short take-off and landing aircraft, were commercial failures. They lacked international technical support and were of no interest to foreign airlines. The new short-range YSX is aimed at Asian and US regional airlines.

EU pact

Continued from Page 1

programmes. In deference to European partners, the communique said the agency would be open to other members of the Western European Union.

By redoubling their gestures of reconciliation during their summit, in Mulhouse, France, President Mitterrand and Chancellor Kohl gave the impression of wanting to make the most of one of their last official meetings. Mr Mitterrand is not up for re-election next year, and Mr Kohl's re-election in October is by no means sure.

Rostenkowski charged

Continued from Page 1

deadline, his statement issued late on Monday was unequivocal: "I did not commit any crimes. My conscience is clear and my 42-year record as an elected official is one I am proud to once again run on. Fighting to "regain my reputation in court is a far more attractive option than pleading guilty to crimes I did not commit."

Mr Rostenkowski also promised to continue to fight for healthcare reform, on which he has been a key campaigner on the administration's behalf. Yesterday, Ms Dee Dee Myers, the presidential press secretary, said the White House would continue to work with him.

There was speculation last week that the Democratic leadership might install one of its own as temporary chairman on the ways and mean committee – perhaps Congressman Richard Gephardt, the majority leader – rather than leave the committee in the far less influential hands of the next-in-line, Congressman Sam Gibbons of Florida. But that option was rejected.

Major signals UK will go slow on Europe

By James Blitz and Philip Stephens

Mr John Major, the UK prime minister, last night signalled his government would be ready to opt out of the next stage of European integration as he sketched out a "multi-track, multi-speed" future for the European Union.

In a speech designed to unite the Conservative party by stressing his determination not to cede further national sovereignty, the Mr Major flatly rejected the "old centralised prescription".

Instead he insisted that "a new vision of Europe" was emerging in which "the functions of the Community should be carried out in different ways, often involving different groups of states".

Speaking at a European election rally in Ellesmere Port, he added: "I have never believed that Europe must invariably act as one on every issue. Trying to make every country conform to every plan is a socialist way of thinking: it not for us."

Mr Major's comments marked out the growing difference between Britain and some of its EU partners over over the evolution of EU decision-making.

Earlier this week, Mr Alain Lamassoure, the French minister for Europe, hit out at government seeking to slow the pace of European integration and called for more centralised decision-making.

Senior Conservative party officials insisted he was not suggesting Britain would join the "slow lane" of a two-speed Europe.

Mr Major also made clear he was not raising the possibility that Britain – or any other EU state – could "duck out" of commitments made in the past.

But the speech was immediately seized on by the UK opposition parties as an admission by the government of its failure in Europe. Mr Jack Cunningham, the Labour party's foreign affairs spokesman, said Mr Major had admitted his government would let Britain fall behind in Europe.

The idea of a multi-speed Europe has been floated several times in recent weeks by Mr Douglas Hurd, foreign secretary, as a possible outcome of the 1996 intergovernmental conference on European integration.

But last night marked the first time that Mr Major had taken up the theme of so-called "variable geometry". He also used his second rally of the campaign to warn that the opposition parties would allow Brussels to dictate Britain's taxation and foreign policies.

Surrender of the national veto would threaten Britain's £3bn ($4.5bn) rebate from Brussels and could also lead to higher taxes set by the EU and to a loss of control over Britain's own foreign policy interests, he said.

THE LEX COLUMN

Bonds under the hammer

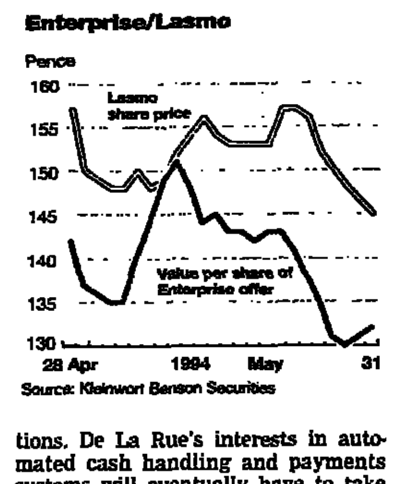
The sharp falls in German government bonds yesterday are an object lesson on the dangers of issuing authorities trying to play the markets. The Bundesbank may have thought that it would calm nerves by withdrawing its second debt auction in a week. But far from being reassured by the temporary prospect of lower supply, the market simply worried that the move actually revealed a serious lack of demand. The Bank of England has got itself in a similarly awkward position by its reluctance to issue long gilts even when rates were at their lows. How much better off both would be if they simply borrowed routinely and regularly across the maturity spectrum. Then there would be no particular signal for markets to misread.

At least the Bundesbank may be right when it says the public sector has no pressing need for cash. The central bank transferred its DM18bn profits to the government in April and borrowing was heavy at the end of last year. Even so, withdrawing auctions cannot become a habit. Given the size of the budget deficit the Bundesbank will have to return before too long. The still-unanswered question is who will buy the paper on offer.

With international hedge funds and investment bank proprietary trading desks scaling down activities, bond markets are becoming more reliant on traditional domestic investors. The Bundesbank has pointed to the hope that its rate cuts would attract such buyers out along the yield curve, but the swollen M3 money supply suggests they remain reluctant to move out of cash. There is some evidence that retail investors are starting to nibble. It may take a further rise in real rates to bring them out in force.

FT-SE Index: 2970.5 (+4.1)

Enterprise/Lasmo



Source: Kleinwort Benson Securities

De La Rue

The once pedestrian business of printing banknotes is booming. De La Rue increased banknote sales by 17 per cent last year, four times the trend rate of growth, due to demand from newly-independent countries. Profits grew by rather more as rising capacity utilisation led to wider margins. While the company's order book suggests the banknote bonanza will continue for a year or two yet, such heady growth is unsustainable. In the longer term, rapid progress in banknotes depends on unlocking public sector printing contracts – which is why Portal's connections with central banks were almost worth bidding for.

Unless it can win plum privatisations, De La Rue's interests in automated cash handling and payments systems will eventually have to take up the running. Even allowing for the favourable impact of currency movements, these businesses are performing well enough. Selling cash handling equipment should become easier as banks emerge from recession and start to refurbish branches. Such favourable impact from the banking cycle is already being felt in the US.

If organic growth starts to slow, De La Rue's £260m cash pile will become a more pressing issue. In relation to net assets the company is already holding more cash than Glaxo. It is a measure of De La Rue's small balance sheet that fresh equity would almost certainly be required to offset the goodwill from a sizeable acquisition. That is all the more reason to deal with the cash pile before it starts to exert real drag on the shares' rating.

Enterprise/Lasmo

The latest exchanges in the Lasmo bid battle have a rather desultory air about them. Lasmo's Colombian find provides a modest boost to its claim that a focused exploration strategy is paying off. Similarly, Enterprise has scored a small victory by forcing Lasmo to modify claims that it had had little international success.

But all this is pretty minor stuff. What the market is waiting for is an improvement in Enterprise's all-paper bid. Today's announcement of the level of acceptances at the first closing is expected to confirm that there is little enthusiasm among Lasmo shareholders for the current offer. Given that Enterprise's chairman Mr Graham Hearne is not about to retreat in the same way De La Rue did last week, an enhanced bid is on the cards.

But Lasmo shareholders should not count on a dramatic improvement in the offer. There is no sign of any white knight, so Enterprise is not under any competitive pressure to increase its bid. Nor does it have the financial resources to put up large amounts of cash. In fact, Enterprise would probably need underwriting if even a modest portion of the bid were to offered in cash. In the circumstances, it is hardly surprising that some Lasmo shareholders have been taking the cash in the market with the result that the company's share price has taken a slight knock. But it is still comfortably above the value of the Enterprise offer.

Mediobanca

Mediobanca will be relieved by yesterday's bounce in its share price. Not only does it apparently show that the market is unconcerned by news that four top executives at the Milan merchant bank are under investigation over their role as advisers to the Ferruzzi-Montedison group. The higher share price will also ensure a smoother passage for Mediobanca's forthcoming L1,500bn equity issue. At yesterday's opening price of L15,300, the group's shares were uncomfortably close to minimum level of L15,000 that it had set for the issue.

Not that there was ever much doubt that the offering would go ahead. The Italian portion of the issue is apparently already underwritten, while many non-Italian banks would probably not wish to slight such a powerful force in Italian finance by declining to take part in its fundraising. Even if Mediobanca's share price dips beneath L15,000 in the coming weeks, it could still press ahead with the issue.

Mediobanca needs the new equity to maintain its grip on Italian industry. Several companies within Mediobanca's sphere have themselves recently issued shares or are planning to do so. The merchant bank therefore needs funds to avoid dilution. The money may also be used to accumulate stakes in the upcoming privatisations of Stet and Enel. Mediobanca's allies have already taken effective control of Banca Commerciale Italiana and Credito Italiano. Though the government has recently tightened the rules to prevent a recurrence in future privatisations, it remains to be seen whether they will be effective.

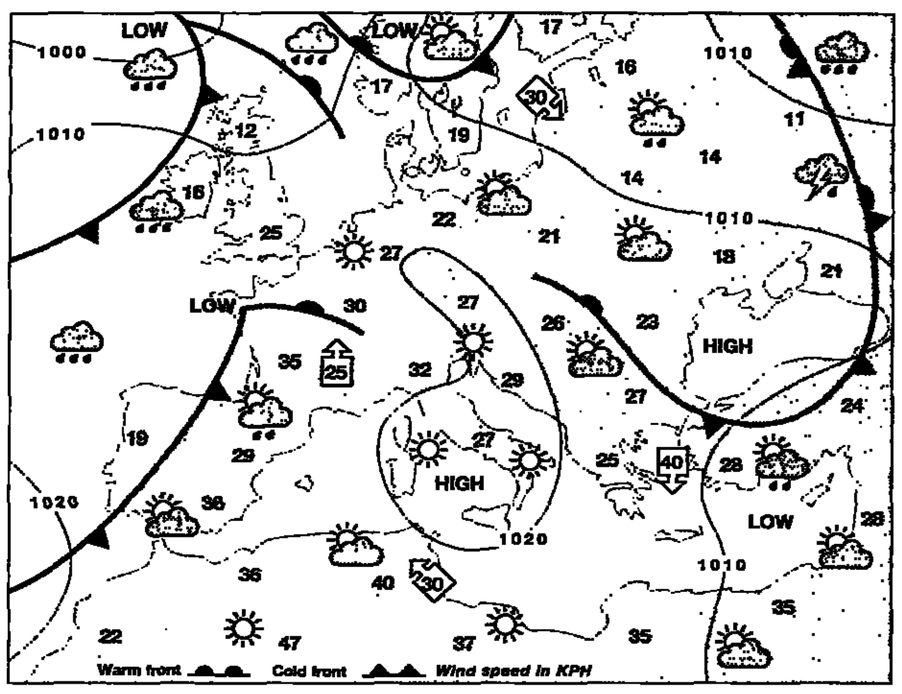
FT WEATHER GUIDE

Europe today

England will have sunny periods but cloud will increase from the south. Western Ireland and north-west Scotland will be cloudy with outbreaks of rain. High pressure extending towards Germany will direct increasingly warm air over western Europe. France, the Lowlands and Germany will be sunny and unseasonably warm this afternoon. Thunder storms will develop over western and central France during the late afternoon and evening and will move north east, followed by cooler air. Southern Europe will be warm and sunny with showers over the eastern Mediterranean.

Five-day forecast

Strengthening low pressure just north of the UK will push a cold front towards the Alps and Pyrenees by Friday. Ahead of this front, it will be warm with thunder showers extending from north-east Spain across the Alpine countries towards the Balkans. The UK, the Lowlands and Germany will be cooler with showers.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum Celsius																	
Abu Dhabi	sun	41	Beijing	fair	31	Caracas	fair	28	Edinburgh	fair	20	Madrid	thund	36	Rangoon	shower	31
Accra	fair	32	Belfast	drzzl	19	Cardiff	fair	24	Faro	fair	24	Majorca	fair	35	Reykjavik	rain	8
Algiers	fair	36	Belgrade	sun	28	Casablanca	fair	22	Frankfurt	sun	26	Malta	sun	29	Rio	fair	27
Amsterdam	sun	22	Berlin	fair	22	Chicago	fair	22	Geneva	sun	32	Manchester	sun	23	Rome	sun	27
Athens	fair	27	Bermuda	fair	27	Cologne	sun	27	Gibraltar	fair	30	Manila	fair	32	S. Frsco	fair	20
Atlanta	fair	31	Bogota	shower	19	Dakar	fair	26	Glasgow	drzzl	19	Melbourne	fair	16	Seoul	fair	24
B. Aires	sun	23	Bombay	shower	32	Dallas	fair	32	Hamburg	fair	21	Mexico City	shower	23	Singapore	thund	31
B.ham	fair	26	Brussels	fair	26	Delhi	sun	45	Helsinki	shower	16	Miami	thund	31	Stockholm	fair	19
Bangkok	shower	34	Budapest	fair	25	Djakarta	fair	31	Hong Kong	shower	31	Milan	fair	32	Strasbourg	sun	31
Barcelona	fair	29	C.hagen	fair	18	Dubai	fair	39	Honolulu	fair	30	Montreal	shower	22	Sydney	fair	19
			Cairo	sun	35	Dublin	cloudy	19	Istanbul	fair	22	Moscow	thund	15	Tangier	fair	22
			Cape Town	sun	21	Dubrovnik	sun	29	Jersey	fair	17	Munich	sun	25	Tel Aviv	fair	31
									Karachi	sun	32	Nairobi	fair	25	Tokyo	shower	22
									Kuwait	sun	44	Naples	fair	29	Toronto	fair	20
									L. Angeles	fair	20	Nassau	fair	31	Vancouver	shower	17
									Las Palmas	sun	24	New York	thund	26	Venice	sun	28
									Lima	sun	21	Nice	sun	25	Vienna	fair	26
									Lisbon	cloudy	23	Nicosia	fair	31	Warsaw	fair	20
									London	sun	26	Oslo	sun	22	Washington	fair	31
									Lux.bourg	sun	27	Paris	fair	30	Wellington	fair	15
									Lyon	sun	34	Perth	shower	15	Winnipeg	sun	25
									Madeira	fair	23	Prague	fair	23	Zurich	sun	29

FINANCIAL TIMES
COMPANIES & MARKETS
Wednesday June 1 1994

IN BRIEF

Seagram chief faces questions

Mr Edgar Bronfman Snr, chairman of Seagram, the world's fourth-biggest drinks group, will today face shareholders' questions about his company's longer-term relationship with Time Warner, the entertainment group. Page 20

Mediobanca nearly loses its temper
Mediobanca is a bastion of discretion, opening up only twice a year to emit elegantly printed reports. However, on Monday evening Mediobanca came as near as it has ever done to losing its temper in public. Page 18; Lex, Page 17

Swedish forester confident
AssiDomän, the newly formed Swedish forestry group partly privatised in March, yesterday announced a 65 per cent increase in first-quarter profits. Page 18

Significant move on Wall Street
Today Mr Richard Braddock, Citicorp's president and chief operating officer until 1992, begins work at Clayton Dubilier & Rice, one of the few US buy-out firms to have come through the 1980s unscathed. The move is symptomatic of the re-emergence of buy-outs. Page 20

OM gets back to core
OM Group, a Swedish company which runs derivatives exchanges in Stockholm and London, is selling its financing businesses and dropping plans to participate in founding a new Swedish bank. Page 23

Côte d'Ivoire's oil plan
United Meridien Corporation, a US-based company, is developing two offshore oil and gas fields which by early next year would make Côte d'Ivoire self-sufficient in oil. Page 26

Beazer surges by 20% midway
Pre-tax profits of Beazer Homes, the former Hanson UK subsidiary floated two months ago, jumped by a fifth. Mr Dennis Webb, chief executive, said the market for housing land was very difficult in south-east England with some buyers paying "silly prices". Page 25

English China Clay's debut
It took six minutes at yesterday's extraordinary general meeting to launch English China Clays as a speciality minerals and chemicals company, with trading in the demerged construction materials business starting today. Page 25

Amstrad recruits from Philips
Amstrad, the UK-based consumer electronics group run by Mr Alan Sugar, yesterday appointed Mr David Rogers, a senior Philips executive, to the post of chief executive. Page 25

Heron board starts on shortlist
Heron International's board of directors started the process of selecting a shortlist of six bidders for Gerald Ronson's troubled UK property and petrol stations group after the deadline for offers closed last Friday. Page 25

Lasmo shores up its defence
Lasmo, the UK independent explorer under siege from hostile bidder Enterprise Oil, yesterday shored up its defence by announcing the discovery of a new find in Colombia. Page 24

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Risers			
Bay Vereinsbank	455	+	14
Mannesmann	438	+	11.5
Falls			
KHD	138.5	–	5.5
Lahmeyer	650	–	25
PWA	224	–	8.5
Porsche	765	–	27
NEW YORK ($)			
Risers			
Blockbuster	27⅝	+	1
[illegible]	18	+	1⅛
Chrysler	52⅝	+	1⅛
Falls			
Briggs Stratton	75⅝	–	2⅛
British Gas	40⅜	–	1⅛
CBS	304⅞	–	5
PARIS (FFr)			
Risers			
Pinault Printemps	1005	+	75
Falls			
AGF	477	–	18
Cred Lyon (CI)	552	–	25
[illegible] Int	655	–	45
Lafarge Coppee	411	–	11.4
Thomson CSF	168.5	–	4.5
TOKYO (Yen)			
Risers			
Dai Nippon Toryo	467	+	23
Fujikura	545	+	35
Sanrio	1740	+	120
Sega Ent	7690	+	210
Showa Elec Wire	648	+	33
Falls			
Takaoka Elec	685	–	25
LONDON (Pence)			
Risers			
BAA	925	+	15
[illegible]	378	+	7
De La Rue	959	+	16
Royal Ins	242	+	8
[illegible]	91	+	9
Siebe	556	+	21
Tomkins	271	+	28
Falls			
AB Foods	529	–	14
Acorn Comps	81	–	6
Amersham	913	–	32
Hall Eng	168	–	71
Hepworth	337	–	15
M&G Group	860	–	18
Meyer	430	–	10
Monarch Res	245	–	17
[illegible]	363	–	14
Yorkshire TV	277	–	12

New York prices at 12:30.

Prodi quits as Iri loses L10,230bn

By Robert Graham in Rome

Iri, the Italian state holding company, yesterday said 1993 losses had reached a record L10,230bn ($6.4bn), more than double the L4,809bn for the previous year.

At the same time, it was announced that Mr Romano Prodi, chairman, had handed in his resignation to Mr Lamberto Dini, minister for the treasury, the sole shareholder of Iri, which transformed in 1992 into a treasury-controlled public company with a current capital of L15,000bn. Of the losses, L8,317bn was attributed to the reorganisation and restructuring of Iri's subsidiaries in the steel and construction/engineering sectors – Ilva and Iritecna.

But the heavy financial charges resulting from its L75,000bn debts, which include those of telecommunications and autostrada subsidiaries, also played a part. Debt directly attributable to the holding company was L18,065bn, against L20,000bn the previous year.

Iri indicated that some L5,000bn of losses was due to the reorganisation of its Ilva steel group and at Iritecna, its construction/engineering arm.

Ilva is in the process of being privatised and an announcement is close on the sale of its special steels operations.

Coinciding with yesterday's meeting, the Official Gazette published details of the decree approved by the previous Ciampi government allowing Iri to restructure some of its debt. This involves the issue of up to L10,000bn in bonds by the treasury-controlled Cassa Depositi e Prestiti.

The departure of Mr Prodi has been widely foreshadowed. He agreed a year ago to return to Iri having been chairman from 1982-89. However he has found himself out of sympathy with the Berlusconi government.

Mr Silvio Berlusconi, the new prime minister, has made no real effort to retain his services at Iri and is even reported to have offered him a European Commissioner's job in Brussels.

Mr Prodi, who nurtures political ambitions, is expected to return to his economic research institute in Bologna in the short term.

His departure raises big questions about the future direction of Iri, especially as the Berlusconi government is pledged to accelerate privatisation.

During his chairmanship, Mr Prodi has overseen the privatisation of part of the foodstuffs group SME, and two banks – Credito Italiano and Banca Commerciale Italiana.

Fall in new car sales hits Japanese carmaker ■ High costs hold back airlines

Nissan doubles deficit warns of further losses

By Kevin Done,
Motor Industry Correspondent

Nissan Motor, Japan's second largest carmaker, plunged to a record consolidated pre-tax loss of Y202.4bn ($1.9bn) in the 12 months to the end of March, its worst financial performance since it became a public company.

The group, which has been hit by the appreciation of the yen, and the deep recession in the Japanese and the European new car markets, warned yesterday that it would suffer a third consecutive year of losses in 1994/95.

Its group pre-tax loss almost doubled last year from Y108.1bn. The operating loss jumped to Y144bn from a loss of Y7.2bn, while its net loss rose to Y86.9bn from Y56bn.

In Europe the company has suffered heavy losses at Nissan Motor Iberica, its Spanish subsidiary, while the pre-tax profits of Nissan Motor Manufacturing UK, its British car production operation, fell to £2.1m from £29.6m.

Nissan Motor (GB), its UK sales and marketing subsidiary, managed to break even with a pre-tax profit of £731,000 following a loss of £16.8m in 1992, its first full year of operations.

Nissan's worldwide vehicle production fell 7.4 per cent last year to 2.74m. Domestic production declined sharply by 14.1 per cent to 1.75m while production overseas increased 7.2 per cent to 993,000. Group turnover fell 6.4 per cent to Y5,801bn. Nissan performed strongly in the US with a 15 per cent increase in sales volume, but this failed to offset the decline in Europe and in the domestic market.

Overall new car sales have fallen for three years in succession in Japan, while in western Europe new car sales dropped by more than 15 per cent last year.

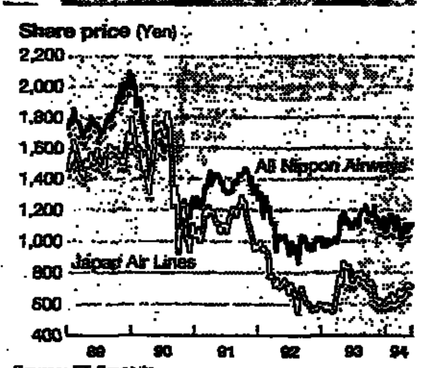
Nissan said that its group net loss reflected chiefly the drop in sales volumes in Japan and in Europe, its costly restructuring in Spain, heavy depreciation charges in Mexico, and the sharp appreciation of the yen.

The Nissan parent company announced a small net profit of Y7.6bn ($72.8m), as a result of gains from the heavy sale of securities, and will pay a dividend of Y7 per share.

Mr Heiichi Hamaoka, executive managing director, warned that Nissan was being forced to accelerate its restructuring and cost-cutting.

Results from Japan's carmakers and paper groups, Page 22

Clipped wings



Source: FT Graphite

Results for Japanese airlines Year-end March (Yen bn)

		Sales	Pre-tax	Net	Forecast Sales 1994-95	Forecast Pre-tax
JAL	1993-94	982.3	-28.1	-25.3	1,008.0	1.0
	1992-93	1,033.9	-53.8	-43.7		
ANA	1993-94	774.8	2.8	-2.9	807.2	Break-even
	1992-93	808.4	15.8	2.4		

Source: Company Reports

Japan's two leading airlines yesterday announced heavy losses for the year to March, as they battled with high costs in markets increasingly open to lower-cost competition. Details, Page 18

BT and MCI deal to get go-ahead

By Andrew Adonis in London

British Telecommunications is set to gain the consent of US regulatory authorities for its $5.3bn alliance with MCI, the second largest US operator.

The US Department of Justice, and the Federal Communications Commission, the US telecommunications regulator, may clear the BT deal this week, following a year-long inquiry. "All the lights are green," said an industry source.

Regulatory approval for the BT/MCI deal, signed last June, has taken longer than expected, leading to postponements of the launch of a joint venture between the two operators. The European Commission cleared the alliance last September.

A $1bn joint venture company, geared to the international telecoms needs of multinationals, will be launched soon, based in Washington. BT will also be free to complete its $4.3bn purchase of 20 per cent of MCI.

The FCC's ruling will be tied to conditions, but they are not believed to be onerous on BT.

Disputes between US/UK operators over the openness of their telecoms markets have dogged the approval process. AT&T, which competes fiercely with MCI in the US long-distance market and with BT internationally, claimed the UK to be less favourable to new operators.

Consent for the BT/MCI deal does not finally resolve the issue. A separate BT application to resell leased telecoms lines in the US is still pending, as is an application by Cable & Wireless, the UK's second largest telecoms group, for a waiver allowing it to have stakes exceeding 25 per cent in US cellular mobile operations. AT&T has an application pending for full access to the UK public network.

Regulatory authorities on both sides of the Atlantic are now optimistic about soon being able to pronounce the other broadly equivalent in terms of openness. Then consent could be granted to outstanding applications, and the way opened to "international simple resale" between the US and UK – competition by leased-line operators offering services across the public networks in both countries, which could cut transatlantic prices.

Several large US telecoms operators are active in the UK's cable and cellular mobile markets. Two of them – Nynex and US West – have supported Cable & Wireless's waiver application.

Pay of two Warburg directors tops £1m

By John Gapper,
Banking Editor

Two directors of S.G. Warburg, the UK-based investment bank, received more than £1m ($1.5m) in salary and bonuses last year, as emoluments to the bank's directors nearly doubled to £10.7m, it was disclosed yesterday.

Warburg revealed in its annual report for the year to March that one director received £1.2m and another £1.5m. In each case, more than £600,000 came under a long-term performance-related bonus scheme.

Sir David Scholey, chairman, received £758,000 compared with £411,000 in 1992-93. Some 11 Warburg directors were paid more than the top amount of £510,000-£515,000 received by a director in the previous year.

The bank also disclosed a rapid growth in its off-balance sheet financial derivatives contracts. It held exchange rate, interest rate and equity contracts with a notional value of £61.6bn at the year-end, compared with £23.9bn.

However, the total replacement value of the contracts – the amount which it would have to provide if the other parties to all its derivatives contracts defaulted – grew only slightly to £597.4m, against £586m.

The figures, disclosed for the first time under the EC Bank Accounts directive, showed rapid growth in equity derivatives contracts, an area which it strengthened last year with the acquisition of the Chicago firm KC-CO Investments.

Lord Cairns, Warburg's chief executive, said last week when the results were released, that it had entered derivatives "rather late in the day" and its activities in the area were still "relatively small".

Mr Philip Gibbs, an investment banking analyst for BZW, said that the figures did not indicate much about the shape of Warburg's derivatives activities, but growth in derivatives was encouraging because it was a profitable business.

Warburg also disclosed a fall in the proportion of pre-tax profits coming from the UK: £196.1m, or 66 per cent, of the £297m total compared with 83 per cent of £148.2m the previous year. But Warburg added that more than 60 per cent of revenues came from outside the UK last year. The proportion of profits coming from the Asia Pacific rose to 13.9 per cent, from 3.7 per cent.

Accounting issues, Page 25

Barry Riley

The strange myth of the panicking small investor

Take away the liquidity of mutual funds and what do you have left? Not surprisingly the mutual fund industry has reacted negatively to the recent suggestion of Henry Kaufman that curbs should be placed on mutual fund dealing, notably a 60-day or 90-day waiting period before investors could sell their shares in stock or bond funds.

The practicalities of such a proposal are certainly suspect. The aim would be to protect the securities markets from the destabilising waves of selling by panicking small investors. Holdings of equities through mutual funds have grown from $180bn to $700bn since the Wall Street crash of October 1987. In theory the US stock market is that much more exposed to a wave of fund liquidation. But a mutual fund curb might backfire.

Piles of selling orders would accumulate at investment company offices. The exact total volume might not be generally known, but the fund managers would immediately begin to build up liquidity in anticipation of the eventual redemptions. Elsewhere, traders would front-run the anticipated wave of transactions. The markets would prove to be just as volatile, but in the event of a crash mutual fund investors would be the last to get out.

So why pick on mutual fund investors? There is plenty of evidence that they are relatively *stable* in their behaviour, and that some kinds of institutional investor are more prone to fickle attitudes. Hedge funds are obvious examples.

It is true that anxieties are being expressed at present about the low cash positions of some US mutual funds. The more volatile and aggressive small cap funds, for example, have seen some cash outflows recently. On the other hand, managers can point to the relative steadiness of investors' nerves in past crises. In modern mutual fund history, monthly outflows have never come close to exceeding the industry's aggregate cash position (though individual funds may have encountered problems).

In the UK, too, general panic withdrawals from unit trusts are unknown. It is true that *inflows* can be very sensitive to financial conditions, notably the level of interest rates available on savings deposits, but once invested the money stays put for a relatively long time. Even in the immediate aftermath of the 1987 crash, for instance, the unit trust industry suffered net redemptions in two individual months, and on a trivial scale.

To single out mutual funds for curbs would put them at a grave disadvantage

So why single out mutual fund investors for restriction? The Kaufman theory appears to be that the big expansion in holdings has reflected the participation of inexperienced investors shifting out of deposits and unaccustomed to the idea of price volatility. However, much of the growth may reflect a tendency for households to own mutual funds rather than stocks directly – though direct personal holdings still account for 50 per cent of corporate equities in the US.

Another important trend is for investors to own mutual funds through long-term savings plans such as individual retirement accounts. At the end of last year nearly $450bn of mutual fund holdings were tied up in various types of personal and corporate retirement plans.

Mutual funds in fact hold just 11 per cent of US equities, less than a quarter of the direct holdings of households, so to single out mutual funds for curbs would put them at a grave disadvantage. In practice, money would move into directly invested portfolios and other institutionalised accounts which escaped the trading limitations.

If there *is* a volatility problem with open-ended funds it may be different to the one that Henry Kaufman perceives: it is not that investors rush in a dangerous way for the exit but that they plunge *into* the market at the wrong time. We have just seen this in the UK, where a record for net sales was set in March.

Mutual fund sales have, of course, long been a key indicator for contrarian investors. Amateur money pushes the markets to unsustainable peaks, and the commercial reputation of the industry suffers because so many customers lured in at the top lose money quickly. Perhaps it would be better, for their own protection if investors were required to wait 90 days before putting their money *in*. They could safely be allowed to take it out again any time they liked.

Japan's leading airlines held back by high costs

By Michiyo Nakamoto in Tokyo

Japan's two leading airlines yesterday announced heavy losses for the year to March, as they battled with high costs in markets increasingly open to lower-cost competition.

However, the results from Japan Air Lines (JAL) did offer some hope as the airline cut its net loss to Y25.3bn ($243m) from last year's Y43.7bn, on sales which slipped to Y982.3bn from Y1,033.9bn.

Pre-tax losses fell to Y26.1bn from Y53.8bn. JAL forecast a modest pre-tax profit of Y1bn for this year.

All Nippon Airways (ANA) fell into a net loss of Y2.9bn from a profit of Y2.4bn last year, on sales down to Y774.8bn from Y808.4bn. At the pre-tax level, the profit slipped to Y2.8bn from Y15.8bn. The airline expects to break even this year.

Both carriers continued to experience weak demand, particularly in the first half. "International business travel demand was low, and there was a marked swing to lower fares," JAL said.

The fall in demand, as cost-conscious passengers turn to lower fare airlines and discounted tickets, demonstrates the big effort JAL and ANA need to put into reducing their high-cost structures.

Japan's airlines face restrictions by the transport ministry which must approve fare changes and it imposes stringent regulations which add to their cost base.

For JAL, cost-cutting in the parent company is almost impossible because of union resistance. The airline plans to reduce its workforce by more than 4,000 people in four years, has expanded its voluntary retirement scheme, and has launched a frequent-flyer programme and lower-fare routes. It is shifting a greater proportion of costs outside Japan. Some maintenance is being moved to China, and the company is hiring more than 800 Thai flight attendants over the next four years and more than 200 non-Japanese pilots.

JAL is introducing a tourist flight to Hawaii. This is one of the most popular destinations of Japanese travellers but it must compete with low-cost US carriers. ANA, meanwhile, plans to cut its workforce by 10 per cent in the next two years, and it has suspended some unprofitable routes.

Japanese carmakers and pulp and paper companies, Page 32

Skanska predicts profits increase

By Christopher Brown-Humes

Skanska, the Swedish construction and real estate group, yesterday predicted higher profits for 1994 and said it planned to increase its international operations.

Mr Melker Schörling, chief executive, said the company's pre-tax profit in 1994 should be higher than the SKr1.18bn ($149.4m) level achieved last year.

This was in spite of strong pressure on margins caused by the depressed Swedish construction market.

The group plans to continue international expansion to reduce dependence on Sweden.

"Our aim is to continue sharply increasing our international business until it accounts for 35 per cent to 40 per cent of group revenues," said Mr Schörling.

"By continuing our internationalisation, we will reduce Skanska's exposure to fluctuations in the Swedish construction market, while taking advantage of the growth potential that exists in many foreign markets."

Last year, non-Swedish business accounted for 23 per cent of group sales of SKr28.9bn, while in 1992 it amounted to 14 per cent of sales of SKr31.9bn. The company, Scandinavia's biggest construction group, operates in more than 30 countries and has 25 per cent of its employees working outside Sweden.

Skanska plans to restructure its real estate operations.

AssiDomän reports 65% rise

By Christopher Brown-Humes in Stockholm

AssiDomän, the newly-formed Swedish forestry group, yesterday announced a 65 per cent increase in first-quarter profits and increased its forecast for the full year.

Profits after financial items rose to SKr344m ($43.5m) from SKr208m after a 4 per cent increase in sales to SKr3.86bn.

The company, which was partially privatised in March, predicts full-year profits of more than SKr1.5bn due to increased efficiency and the improving outlook for the pulp and paper industry. Last year profits were SKr876m.

The Swedish government sold off a 49 per cent stake in AssiDomän in March, raising SKr7.6bn in Sweden's biggest privatisation to date.

The privatisation followed the merger of two state-owned forestry groups, Assi and Domän, at the start of the year. A third company, NCB, which was majority state-owned, is being merged with the group and has been consolidated from the start of the year.

The first-quarter performance showed the benefits of stronger operating results from Skog & Trä, which lifted profits to SKr311m from SKr223m, while Kraft Products achieved a SKr11m profit after a SKr36m loss. The group raised overall operating profits to SKr390m from SKr285m, despite falling profits in the carton and packaging divisions.

Financial outlays fell to SKr46m from SKr77m due to lower interest rates and a reduced net debt. NCB made a SKr24m profit from a SKr41m loss.

AssiDomän's shares closed yesterday at SKr162. Individuals paid SKr138 a share at privatisation.

Austrian building group advances

By Ian Rodger in Zurich

Maculan, the Austrian building group with significant interests in eastern Germany, reported an 11.6 per cent rise in 1993 net income to Sch260m ($179.3m) on turnover up 19 per cent to Sch13.9bn.

The group said business growth had been strongest in Austria, due to buoyant residential construction, and in eastern Germany, partly due to the first-time consolidation of 90 per cent owned TB Tief-und Verkehrsbau Berlin.

Turnover in the former Soviet Union fell by about a third. Maculan has filed a *force majeure* claim with the German government over a Sch1.9bn contract for a Russian military housing project financed by Bonn.

The project has been delayed by spiralling costs due to inflation and the declining value of the rouble.

The group, which has grown rapidly in the past five years, said its primary focus in the current year would be "consolidation and optimisation of existing activities". Still, it expected both turnover and earnings to grow by about 10 per cent.

Orders on hand at March 31 were 10 per cent lower at Sch9.4bn because of the removal of the Russian contract.

Current orders represent eight months' work.

De La Rue rises 24% to £129.8m

De La Rue, the UK security printer and cash-handling machine group, yesterday reported a 24 per cent increase in pre-tax profits buoyed by strong banknote sales, writes Paul Taylor in London.

The group reported pre-tax profits of £129.8m ($195.2m) in the year to March 31, up from £104.7m the previous year. Turnover rose 7 per cent to £586.6m.

Lex, Page 18

Bastion of discretion speaks out

Mediobanca has reacted angrily to allegations, writes **Andrew Hill**

Not much moves Mediobanca, the powerful Milan merchant bank, to make a public statement. In a financial community which leaks like a pasta-chef's colander, Mediobanca is a bastion of discretion, opening up only twice a year to emit an elegantly printed annual and half-year report.

However, on Monday evening Mediobanca came as near as it has ever done to losing its temper in public. The trigger was the formal decision by Ravenna magistrates to warn four top Mediobanca executives – including its 86-year-old honorary chairman, Mr Enrico Cuccia – that they are under investigation for allegedly conspiring last year to falsify the accounts of the Ferruzzi-Montedison industrial group.

In an uncharacteristically angry statement, the bank expressed its "bitterness" that it was being "criminalised" for its efforts to save Italy's second-largest industrial group from disaster. In particular, it said the magistrates' decision was based on "elements which seem to have been deliberately supplied by some of those who bear the greatest responsibility for that disaster".

The magistrates' decision has electrified the Italian media. This is not because it was particularly momentous. It is a formal move which is far from implying any guilt on Mediobanca's part, and the allegations are mainly based on a supposed technical lapse by the bank.

But Mediobanca has an influence over the Italian financial and corporate community far greater than that of any other merchant bank in any other developed market. Mr Cuccia has cultivated clients which include all of Italy's most powerful industrial and financial groups. The network is so close that many of these groups, together with former state-owned banks, are part of the shareholder syndicate that controls Mediobanca.

Carlo Sama: Mediobanca knew more than it is letting on

Enrico Cuccia: has built up a powerful network of clients

Under the circumstances, the restructuring of Ferruzzi-Montedison was a deal which could only have been worked out by Mr Cuccia and his team.

This is the first time the bank has been caught up in the corruption scandals, in which the old Ferruzzi-Montedison group seems to have been a central player. But questions were already being raised about Mediobanca's role in the new Italy. The bank has come under attack for trying to extend its influence over the banks and industrial companies being privatised.

The magistrates' investigation centres on how much Mediobanca knew about Ferruzzi-Montedison's L435bn ($257m) of undeclared bad debts in offshore companies. If it was aware of this hole in the 1992 accounts, then under Italian law it had an obligation to declare its knowledge, or face criminal charges of "false communication".

The old board of Ferruzzi-Montedison approved the 1992 accounts at a meeting on May 28. Mediobanca was given the mandate for a restructuring of the group on June 4 and the accounts were deposited with the regulatory authorities on June 12. Shareholders only learnt about the hole at their assembly on June 28. Mediobanca says it has submitted "incontrovertible" evidence to the Ravenna prosecutor that it had neither the power nor the duty to vet the accounts.

The most prominent dissenter from this view is Mr Carlo Sama, the former chief executive of Ferruzzi-Montedison who is facing corruption allegations. He claims that Mediobanca knew more than it is letting on. In a television interview on Monday night, he went further, claiming Mediobanca had "taken away our property and our honour" in an attempt to gain control of a large chunk of Italy's industrial economy. Mr Sama believes the merchant bank deliberately scuppered an alternative plan for the restructuring of Ferruzzi, prepared by the directors.

The new board of Montedison issued a statement yesterday deploring the fact that ex-directors – "responsible for having led the group to disaster, with a legacy of L31,000bn of debts" – were trying to undermine the credibility of their replacements, struggling to put in place Mediobanca's rescue plan. Mr Gianni Agnelli, the Fiat chairman who is probably Mr Cuccia's closest ally, described the magistrates' decision as "a serious matter and an annoying obstacle" at a moment when Italy needed all the instruments at its disposal "to revitalise its industrial groups and expand".

Mediobanca's rivals believe the move could have positive repercussions for a financial system notable for its lack of transparency. This would be welcome at a time when there is intense scrutiny of the possible conflict of interest between Mr Silvio Berlusconi's role as prime minister and as owner of one of Italy's largest private companies.

Market reaction suggests the reputation of the bank has only been dented by the Ferruzzi-Montedison affair. Shares in Mediobanca, which had fallen nearly 20 per cent ahead of Monday's decision, yesterday recovered slightly.

Mr Cuccia is likely to be happier about this than yesterday's show of support from many of his allies: Mediobanca is preparing for a L1,500bn rights issue which could have been put in jeopardy by a continued fall in its share price.

Volvo Bus buys into Danish coachbuilder

By Hugh Carnegy in Stockholm

Volvo, the Swedish motor vehicle manufacturer, plans to take over a Danish operation making bodies for Volvo buses from the troubled German Kässbohrer Group.

Under an agreement signed with Kässbohrer, Volvo Bus will take over all the activities of Aabenraa Karosserifabrik, the German company's Danish subsidiary, related to the production and marketing of bodies for Volvo bus chassis.

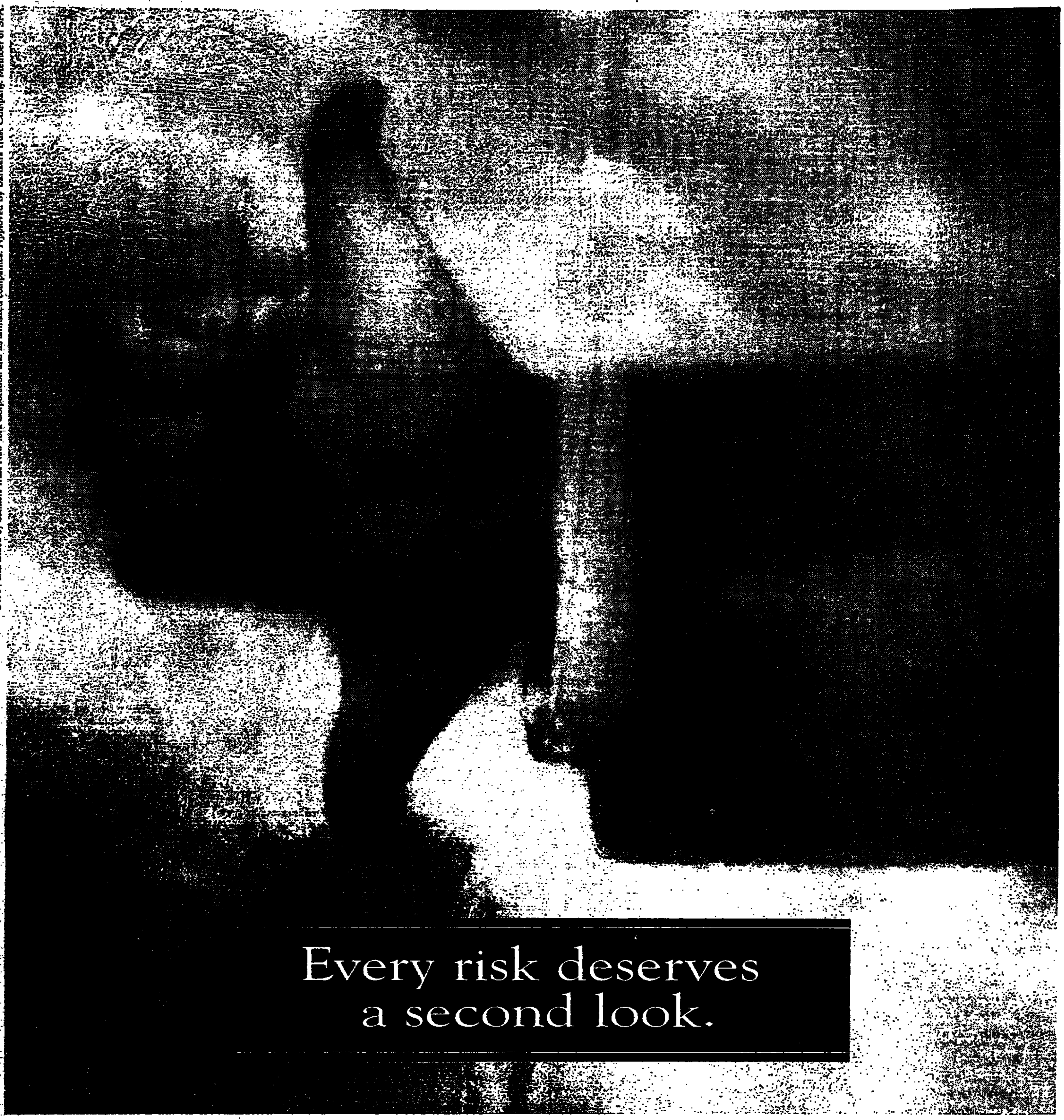
Neither company disclosed the value of the deal, which is due to be completed by the end of this month.

Aabenraa builds about 125 Volvo buses a year for sale mainly in the Danish market.

It produces about 50 buses for Kässbohrer, but Volvo will not acquire those activities. Volvo says it will, however, take on a majority of Aabenraa's 220 employees and has plans to incorporate the operation as a Danish Volvo subsidiary.

Volvo embarked on a strategy to concentrate on car, truck and bus manufacturing following the collapse of its previous plans to merge with France's Renault.

Volvo has wholly-owned bus body-building operations in Sweden and Austria, as well as a joint venture in China.



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LEAD FROM STRENGTH.

Seagram chief to defend Time Warner stake

By Robert Gibbens in Montreal

Mr Edgar Bronfman Snr, chairman of Seagram, the world's fourth-biggest drinks group, will today face shareholders' questions about his company's longer-term relationship with Time Warner, the entertainment group.

Seagram has acquired 14.9 per cent of Time Warner for $2.1bn. Uncertainty over its future plans has been overshadowing Seagram's market performance this year.

Analysts expect Mr Bronfman to say at today's annual meeting that Seagram's holding represents a strategic investment in a global growth industry and will benefit all shareholders as Time Warner reduces its debt and strengthens cash flow and profits. Its cable TV interests are already a source of rising cash flow.

He may also play down reports of disagreements with Mr Gerald Levin, chairman of Time Warner, who has ruled out any standstill agreement that might allow Seagram to increase its stake to 25 per cent. Analysts also believe Seagram will ultimately seek one or two board seats to influence Time Warner's strategy, although at the moment Seagram has denied this.

Seagram has strongly denied it plans to sell its 24.3 per cent interest in Du Pont, the chemicals and energy giant, which is now worth nearly $10bn, and bid for all Time Warner stock. Analysts say this would be prohibitively expensive, and selling the Du Pont interest could involve heavy capital gains taxes.

After the meeting Mr Bronfman, soon to be 65, will hand over the chief executive's chair to his son, Mr Edgar Jnr, 39, who became president and chief operating officer in 1989.

Mr Bronfman Snr will remain chairman with his brother, Charles, co-chairman. The Bronfmans own 37 per cent of Seagram.

US buy-out firms adopt a more modest guise

Clayton Dubilier's Richard Braddock talks to Richard Waters about the re-emergence of an industry

Things have changed in the US buy-out industry. Just two years ago, Citicorp, under pressure from regulators, backed away from highly-leveraged lending.

Today Mr Richard Braddock, the banking group's president and chief operating officer until 1992, begins work at Clayton Dubilier & Rice, one of the handful of US buy-out firms to have come through the 1980s unscathed.

The move is symptomatic of the re-emergence of buy-outs in the US.

Starved of finance as the banks withdrew and the junk bond market dried up, the industry virtually died.

But the market for sub-investment grade bonds roared back to life last year, and lending to companies considered high risk is one of the few opportunities banks now have to put their plentiful capital to work.

Also, a number of buy-out funds have spent the last year raising equity. "Pile bank and subordinated debt on top of that, and there's an enormous amount of money [available to do transactions]," says Mr Jo Rice, one of Clayton Dubilier's principals.

The industry that has re-emerged differs in several respects from the 1980s version.

Much of the new equity behind the buy-out funds has been provided by pension funds, rather than the banks and insurance companies who invested in funds in the 1980s, says Mr Leonard Green, a Los Angeles-based deal maker who himself recently raised more than $300m for a new buy-out fund.

Pension funds, seeking higher yields, have been attracted by the investment returns of the more successful funds.

Clayton Dubilier, for instance, claims an annualised rate of return on its investments of around 100 per cent (investors get 80 per cent, while the buy-out firm's partners keep 20 per cent).

Another difference in the 1990s buy-out industry is the lower level of leverage (or gearing) at which deals are being struck.

One part equity to nine parts debt used to be the rule of thumb of the 1980s; now, says Mr Don Gogel, a Clayton Dubilier partner who was once co-head of Kidder Peabody's mergers and acquisitions department, "we look at anything from 25-35 per cent equity".

The market for sub-investment grade bonds roared back to life last year, and lending to companies which are considered high risk is one of the few opportunities banks now have to put their plentiful capital to work

Lower gearing means lower investment returns in the years ahead. The 80 per cent return paid to Clayton Dubilier investors will not be matched in future, the firm warns – though it is still confident of beating its target return of 40 per cent a year.

In this new era, it is the funds that can show a steady flow of successful transactions – rather than those which scored big profits from single, blockbuster leveraged deals – which are likely to be most successful.

Clayton Dubilier, one of the small group of funds to re-emerge strongly in the 1990s, typifies the more modest ambitions of the new breed.

In nearly 20 deals over the past 15 years, only one – the $960m purchase of healthcare products maker Kendall from Colgate-Palmolive in 1988 – has proved a disaster.

Clayton Dubilier was forced into a refinancing, the ultimate success of which remains unclear. But the firm's partners are adamant that they did not walk away from the company. "We fixed the problem and no one lost money," says Mr Gogel.

Meanwhile, the firm has developed a style which enables it to benefit from more than just the financial structuring of its buy-outs.

Its partners have included some powerful business managers – among them Mr Braddock, Mr Chuck Ames, a former boss of Reliant Electric, and, until he left to run Westinghouse Electric last year, Mr Michael Jordan. These operating managers take a more direct involvement in bought-out firms than is typical in the industry.

"We're not buying short-term to flip businesses, or to take advantage of a business's trajectory – we're looking to influence the trajectory," says Mr Braddock.

The result has been the purchase recently of a number of underperforming subsidiaries of large companies, each of which Clayton managers are actively engaged in turning around: Allison from General Motors, Westinghouse and Remington from DuPont.

With these three transactions, between them valued at more than $1bn, the firm established itself as one of the most active buy-out firms in the second half of last year.

Clayton Dubilier is now preparing to raise cash for its next investment fund – likely to be launched later this year – and, once again, is eyeing Europe. Four years ago, the firm established a London office; no deals have resulted.

Over time, says Braddock now, Europe could still be a rich source of deals for the US buy-out funds. Reminded of previous talk of an active European buy-out industry, he insists: "It's more than an idle comment."

Nova and Petronas buy gas pipeline stake

By Nikki Tait in Sydney

Nova, the Western Canada energy and petroleum group, and Petronas, the state-owned Malaysian oil company, are paying around A$250m (US$183m) for a 49 per cent stake in the Moomba-to-Sydney gas pipeline. The pipeline is being sold by Australia's federal government.

Mr Kim Beazley, Australia's finance minister, said yesterday the sale was expected to raise between A$520m and A$540m for the government, and be completed by the end of June. Net proceeds are expected to be just under A$500m.

The government announced late last year that it planned to sell a 51 per cent majority interest in the pipeline to Australian Gas Light Company (AGL), the Sydney-based utility which is also the nation's largest gas pipeline company. The government invited tenders for the remaining equity.

Under the deal, which has Foreign Investment Review Board approval, Nova will take a 25 per cent interest in the pipeline and Petronas, 24 per cent.

In return for giving up vetoes over the sale, the Cooper Basin gas producers will share a A$20m payment – of which about A$10.8m will go to the Adelaide-based Santos group – while AGL gets A$30m for waiving similar rights.

Dasa plans missile and satellite joint ventures with Aérospatiale

By David Waller in Frankfurt

Deutsche Aerospace (Dasa), the aerospace arm of the German Daimler-Benz group, and Aérospatiale, the French state-owned aerospace operation, intend to form two joint ventures – one to build guided missiles and the other to build satellites.

Munich-based Dasa said yesterday that talks with the French company over the terms of the joint ventures had reached an advanced stage and it was likely the new companies would be formed from January 1 next year.

The statement from the German company explained that Dasa and Aérospatiale had worked together in the guided missile area for decades, and that a formal joint venture was the best way of co-operating further. The same argument applied to satellite technology, Dasa said.

The joint ventures are likely to be structured around two holding companies, one for guided missiles which will be established in Paris and a satellite company in Germany.

Each of the holding companies will be parent to a German and a French subsidiary, which will divide the work equally between themselves.

Both Aérospatiale and Dasa plan to concentrate all their activities in these business areas within the new holding companies.

Dasa and Aérospatiale already operate Eurocopter, a helicopter joint venture.

The news that the negotiations are at an advanced stage follows comments made by Mr Louis Gallois, the French group's chairman, earlier this month.

He said that joint ventures were planned as part of the Aérospatiale's strategy of returning to profitability.

Aérospatiale, like other companies in the sector, has suffered from the downturn in both defence and commercial activities.

"We need to achieve a much deeper integration of our European defence industries to compete with the US, where consolidation is taking place at a very rapid pace," Mr Gallois said.

Northern Telecom wins Chinese deals

Northern Telecom of Canada has signed contracts worth about US$82m to supply advanced telecommunications switching systems to three Chinese provincial governments, Reuter reports from New York.

The company said it will install 13 switching systems for the Tianjin Posts and Telecommunications Administration, worth $40m, and in Shaanxi Province, nine switching systems worth more than $22m. The company is also installing systems for the Hebei Posts and Telecommunications Administration, worth $20.6m.

Northern Telecom said the 37 digital multiplexing systems can each support up to 100,000 telephone lines.

New funding source for Leeds Permanent

By Antonia Sharpe

Leeds Permanent Building Society, the UK's fifth largest, has raised £100m ($151m) for new mortgage lending through a mortgage-backed loan facility, the first of its kind for a UK building society.

The transaction, which gives Leeds increased access to wholesale funding and opens up a new source of funding for other building societies, is a form of securitisation. This financing technique is widely used in the US but is still at an early stage in its development in the UK.

Securitisation allows lenders to take loans off their balance sheet, thereby removing the risk of default and freeing capital. The assets are placed in a special-purpose vehicle which then raises money by selling debt securities to investors. Interest on the so-called "mortgage-backed" securities is funded by the loan repayments.

However, instead of selling securities in the public market, Leeds has used a pool of mortgages to provide security for a loan from a group of banks. The deal, signed on Friday, is a test run for a system which Leeds has set up to securitise its mortgages.

Citibank, Commerzbank, Daiwa, NatWest, Rabobank, Royal Bank of Scotland and Union Bank of Switzerland each took £13.57m of senior notes. Daiwa and UBS took £2.5m each of the £5m subordinated portion.

INTERNATIONAL COMPANIES AND FINANCE

Dismal year for Japan's carmakers

By Michiyo Nakamoto in Tokyo

Financial results, year to March (Y bn)						
Company	Parent sales	Parent pre-tax	Parent net	Consolidated sales	Consold. pre-tax	Consold. net
Nissan 1993-94	3,583.5	4.1	7.6	5,800.9	-202.4	-86.9
1992-93	3,896.9	-26.3	-15.1	6,197.6	-108.1	-55.9
Mazda 1993-94	1,768.7	-44.1	-44.2			
1992-93	2,191.3	6.2	2.6			
Mitsubishi 1992-93	2,455.9	35.4	15.9	2,946.9	21.3	5.6
1992-93	2,615.9	46.6	20.2	3,180.4	50.2	25.8
Fuji Heavy 1993-94	763.9	-28.1	20.7			
1992-93	873.0	0.1	-6.1			
Daihatsu 1993-94	730.8	2.4	5.5			
1992-93	784.9	-4.4	-3.6			

Source : Company reports

Automotive

Last spring, as Japan's carmakers looked ahead to prospects for the year, the consensus was that at best they might hope for some relief from the downturn in the Japanese economy.

A year later, even that cautious assessment appears sanguine, as one carmaker after another has announced dismal results for the year to last March.

Nissan, Japan's second-largest carmaker, yesterday became the latest in the industry to report a substantial deterioration in its annual performance.

The results come amid persistent weakness in the domestic market and a 14 per cent rise in the yen's value against the dollar.

Nissan, which reported a consolidated net loss of Y86.9bn ($832m), compared with Y55.9bn a year ago, was joined in its plight by Mazda and Mitsubishi Motor.

Both Mazda and Mitsubishi last week reported sharp falls in sales. Mazda saw its first loss in 19 years and has been forced to pass its dividend for the first time since it was listed.

Mitsubishi had previously enjoyed buoyant sales on the strength of the popularity in Japan of its range of sports utility and multipurpose vehicles.

However, the company experienced a setback last year as competition in those sectors increased.

Fuji Heavy, which produces Subaru cars, likewise fell into loss and passed its dividend.

However, Daihatsu, which specialises in small cars and commercial vehicles, returned to the black largely as a result of cost-cutting.

The carmakers' difficulties last year are largely attributed to two factors which have plagued the industry recently: weak markets in Japan and Europe, and the appreciation of the yen.

The poor state of the Japanese market is reflected in figures published by the Japan Automobile Manufacturers' Association.

The Japanese car market suffered a fall in demand in the fiscal year to March 1994 – its third consecutive annual decline.

According to JAMA, domestic demand fell by 7 per cent to 6.4m units, while vehicle production in Japan also dropped for the third consecutive year by 12 per cent to 10.8m units – the largest annual fall since 1949.

The situation was hardly much better outside Japan. Exports for the year are estimated to have fallen by 18 per cent, although part of this reflects a greater shift of production overseas.

These adverse market trends have been particularly damaging for Nissan and Mazda, which have accumulated significant losses and face an uphill battle to recovery.

Both companies made ambitious investments at home as the domestic market went into reverse.

Nissan built a state-of-the-art factory in southern Japan and aggressively expanded its model range.

Mr Andrew Blair-Smith, industry analyst at BZW, says that while Nissan has a wide model range, it has not had the productivity levels of Toyota.

Although it is difficult to estimate capacity utilisation from available figures, Mr Blair-Smith believes Nissan's rate is 64 per cent, compared with 82 per cent for Toyota.

Meanwhile, Mazda also opened a new factory in 1992 and built up a network of five distribution channels.

Mazda is operating at an average capacity utilisation ratio of 80 per cent, compared with 120 per cent at the peak of the boom years, the company said.

Nissan and Mazda have also been particularly hard hit by the slump in European markets.

Nissan experienced a 30 per cent drop in unit export sales, which it attributed to sluggish demand in Europe.

The fall in demand in Spain, together with the sharp depreciation of the peseta against the yen, has meant that losses at its Spanish subsidiary, Nissan Motor Iberica, and the restructuring programme there, have been significant factors behind Nissan's consolidated losses.

Mazda, meanwhile, has seen shipments to overseas markets slump by 23 per cent.

The carmakers are stepping up their cost-cutting measures through greater use of common car parts, a reduction of car models and labour cuts.

For example, Mazda will not take on any new workers next spring, a sharp reversal from its peak years when it took on 3,000 employees. Capital spending is being reduced to Y50bn compared with Y54bn last year.

It is possible that these efforts, supported by a mild recovery in the Japanese car market this year, will enable the beleaguered carmakers to achieve a modest improvement in performance without taking restructuring much further than planned.

But if the Japanese market fails to take off strongly, significant improvements in profits may call for another round of aggressive cost-cutting that might include further reductions in capacity.

Weak demand and higher yen take toll on paper groups

By William Dawkins in Tokyo

Financial results, year to March 1994 (Y bn)				
Company	Sales	Change (%)	Pre-tax	Change (%)
New Oji Paper	673.18	+7.27	12.23	-4.0
Nippon Paper	626.73	-3.9	9.51	-16.0
Daishowa Paper	275.09	-11.3	-26.44	loss + 141.0
Mitsubishi Paper Mills	172.26	-7.7	2.4	+0.4

Source : Company reports

Paper & pulp

The annual results of Japan's paper and pulp companies provide a vivid illustration of the competitive pressures on the country's materials manufacturing industries.

Last year's rise in the yen has pushed paper makers' international costs above those of producers in neighbouring south-east Asia, resulting in loss of market share at home and abroad.

Persistently weak demand, meanwhile, has driven down prices in yen terms faster than costs. As a result, the two largest paper producers, New Oji Paper and Nippon Paper, reported declining profits, while the number three, Daishowa, made a record loss, more than double the previous year.

That was far bigger than expected, because of Daishowa's inability to sell assets as fast as planned, to reduce its Y434.7bn ($4.16bn) debt, a consequence of over-investment in new capacity in the late 1980s.

Two creditor banks and a corporate shareholder are to install three executives at Daishowa to help reduce its debts.

This ends one of the toughest years in Daishowa's history, following last November's arrest of its former president, Mr Ryoei Saito, on bribery charges.

The only leading paper group to produce a slight profits gain last year, Mitsubishi Paper Mills, managed to do so by selling securities, a common technique used by industrial companies to tide their published results through hard times. Excluding a Y5.3bn capital gain on securities sales, Mitsubishi Paper would have made a Y2.9bn loss, said Mr Toshihide Kokuzawa, managing director. The group forecasts a 16.8 per cent earnings decline on stagnant sales in the current year.

So far, the paper industry has managed to avoid heavy job losses and has sought instead to reduce costs through mergers.

New Oji resulted from a merger last October between Oji Paper and Kanzaki Paper. Nippon Paper was created six months earlier by Jujio Paper and Sanyo-Kokusaku Pulp. Two others, Honshu Paper and Takasaki Paper, have stopped short of a full merger, but announced in January that they are to pool distribution and purchasing.

Bangkok Land profits disappoint

By William Barnes in Bangkok

Bangkok Land, Thailand's biggest property company which is controlled by the Sino-Thai Kanjanapas family, reported a disappointing 3 per cent rise in consolidated net profits to Bt5.028bn ($199m) for the year to end-March.

Profits fell to Bt763m in the last quarter from Bt1.354bn in the third quarter.

Sales for the year are likely to be down by some 30 per cent to around Bt11.5bn, compared with Bt16.8bn in 1993, according to Bangkok property analysts. Earnings per share rose to Bt8.38 from Bt8.11.

"Either Land was struggling in the last quarter or it was saving profits to buttress next year's profits, when new accounting rules could squeeze the profits of many property companies," said Mr Neil Semple, research manager at HG Asia in Bangkok.

The new accounting rules will force property companies to set aside 20 per cent before they start to book profits. The previous requirement was 10 per cent.

Tanayong, Bangkok Land's sister company, which is also controlled by the Kanjanapas family, reported a 31 per cent fall in unconsolidated net profit to Bt434.4m for the year, compared with the previous year's Bt647.4m. Like Land, it has suffered from slow sales.

TT&T is valued at $3.4bn on first day

By Victor Mallet in Bangkok

Thai Telephone and Telecommunication, the consortium installing 1m new telephone lines in Thailand's provinces, was valued at $3.4bn when its shares were traded on the local stock exchange for the first time yesterday.

After opening at Bt190, compared with an initial public offering price of Bt145, the shares fell along with the rest of the market and closed lower at Bt171.

TT&T is the fourth-largest company by capitalisation on the Stock Exchange of Thailand, after TelecomAsia (which is installing 2m new lines in the capital) Bangkok Bank and Siam Cement.

After years of inadequate investment by state telephone companies, the work being carried out by TT&T will more than double the number of provincial telephone lines, and the company is expected to benefit from rapid economic growth outside Bangkok during its 25-year concession.

A survey by Sofrecom of France showed there were on average only 1.33 lines per 100 people in the provinces, compared with 16.13 in Bangkok.

TT&T has to pay 43.1 per cent of its gross revenue from the new lines to the state Telephone Organisation of Thailand, whereas TelecomAsia pays only 16 per cent. But higher total revenues per line in the provinces should give TT&T a bigger net income per line than TelecomAsia by 1998, according to a recent report by Peregrine Nithi Finance and Securities.

Net profit is forecast to rise from a negligible Bt31m ($1.2m) this year to Bt1.28bn next year and Bt2.49bn in 1996.

Steel Authority of India boosts sales by 15%

By Kunal Bose in Calcutta

The Steel Authority of India (Sail), the country's biggest steel producer, has posted a 29.83 per cent rise in net profit to Rs5.5bn ($175m)for the year to the end of March, on sales 15 per cent higher at Rs94bn.

The company had to pay a levy of Rs3.23bn to the Steel Development Fund, since abolished, and absorb Rs3bn with higher input costs.

Despite the world recession, Sail has raised exports by 121 per cent to Rs5.61bn.

Mr MRR Nair chairman, is confident that domestic demand for steel will be better this year. Sail's plants produced 8.3m tonnes of steel last year.

NEWS DIGEST

Trust Bank ahead of forecasts

Trust Bank, New Zealand's fifth-largest and only locally-owned national bank, yesterday reported a 17 per cent increase in after-tax profit to NZ$72.8m (US$42.8m) for the year ended March 31, writes Terry Hall in Wellington.

The company was listed on the New Zealand stock exchange in March, and the result was NZ$5m better than prospectus forecasts. It came after writing off share issue expenses of NZ$7.5m and a gain of NZ$2.9m from property revaluations.

The charge for bad and doubtful debts fell to NZ$1.4m from NZ$22.8m. Shareholders' funds rose to NZ$467m from NZ$311m.

Trust Bank is New Zealand's largest lender to the home mortgage market, but is seeking to expand into commercial and rural lending. Lending on home mortgages was up 6 per cent to NZ$4.4bn, to the commercial sector by 17 per cent to NZ$1.1bn, and to the rural sector by 30 per cent to NZ$577m.

Shiseido ahead at pre-tax level

Shiseido, the leading Japanese cosmetics maker, reported that non-consolidated pre-tax profits for the year to March rose 0.1 per cent to Y32.4bn ($309.75m), writes Emiko Terazono in Tokyo. It suffered a 2.3 per cent decline in sales to Y391.1bn. For the year to next March, the company expects pre-tax profits flat at Y32.5bn, on a 1 per cent rise in sales to Y395bn.

San Miguel unit in HK site deal

San Miguel, the Philippines' largest industrial enterprise, announced that its Hong Kong beer subsidiary, San Miguel Brewery, had sold its plant site for HK$3.5bn (US$453m), writes Jose Galang in Manila.

The sale translates into an extraordinary profit for the parent company of about US$253m, equivalent to one and a half times its profits for the whole of 1993.

The sale is part of the Hong Kong subsidiary's move to a bigger location for its plan to expand production to penetrate the beer market in mainland China. The new plant is expected to be completed at a cost of $109m, the Manila-based parent company said.

Pirelli Cables Australia listed

Shares in Pirelli Cables Australia, which is being spun off by its Italian parent, were listed on the Australian Stock Exchange at a 15 per cent discount to the A$1.45 issue price yesterday morning, and were still trading at the A$1.30 level before the close, writes Nikki Tait in Sydney.

The Italian parent company raised A$61m (US$43.8m) through the flotation of a 49 per cent stake in its Australian subsidiary, offering 42.1m shares for sale.

INTERNATIONAL CAPITAL MARKETS

Germany leads decline in European prices

By Conner Middelmann in London and Frank McGurty in New York

Haunted by continued fears of resurgent inflation, European government bonds took another dive yesterday.

Germany again led the decline but outperformed the rest of Europe on the basis of its perceived "safe-haven" status. Neighbouring markets' yield spreads over bunds widened further and several long-dated bond futures contracts hit new lows for the year.

Although traders cited a number of reasons for the slide, "what is behind the declines is that there are just no end-investors willing to buy here", said Mr Mike Gallagher, director of economic research at IDEA.

Although bonds could stage brief corrections near-term, "the market won't find a sustainable bottom until investors come in at bargain-basement levels," he said.

German bonds slumped early in the day when the June bund futures contract breached key technical support at 93.30. Shortly thereafter, the Bundesbank announced that a widely-expected issue of long-dated bunds would not take place because of the government's good cash position. This gave the bund future a brief fillip, but it soon resumed its slide, falling as low as 92.62.

While the removal of fresh supply offered some relief, many dealers were disappointed by the cancellation of the bund.

■ UK gilts were one of the day's worst casualties, sliding on data showing M0 money supply rising by a provisionally adjusted 7.1 per cent in the year to end-May.

"People fear the worst – they have no confidence inflation can stay low because this country has one of the worst track records," said Mr Ifty Islam, international strategist at Merrill Lynch. "It may take months of subdued RPI numbers to show that inflation is not going out of control."

GOVERNMENT BONDS

Talk that today's UK purchasing managers' survey for May would show a rise in producer prices put further pressure on prices. The long gilt futures contract fell 1$\frac{1}{32}$ to 100$\frac{?}{32}$.

"If it goes through 100, there's very little support until 98," said Mr Mark Reckless, UK economist at SG Warburg Securities. The UK 10-year yield spread over Germany widened to 186 basis points, from 173 points on Friday.

■ French bonds followed bunds lower, but were also weighed down by the prospect of some FFr20bn of new bonds on Thursday. "There's no one around to absorb that supply," said one dealer. The notional June future on Matif fell by 1.00 point to 117.72.

The Italian market was also dogged by supply, having to absorb L3,500bn in new 10 and 30-year bonds, where the yield rose sharply from the previous auctions. The June BTP future ended around 108.17, down 1.25 points.

■ Danish and Swedish bonds were hammered by heavy foreign selling, dealers said. Denmark is weighed down by inflation worries amid a strong economic recovery, and both are clouded by election fears. The Danish yield spread over Germany widened to 113 from 89 basis points last Friday; the Swedish yield gap widened to 243 from 208 basis points.

■ US Treasury bonds retreated yesterday as a bearish tone set in ahead of this week's crucial economic data.

By midday, the benchmark 30-year government bond was $\frac{11}{32}$ lower at 85$\frac{?}{32}$, with the yield rising to 7.45 per cent. At the short end, the two-year note was down ⅛ at 99$\frac{11}{16}$, to yield 6.026 per cent.

The morning brought a barrage of economic news, most of which pointed to slower growth, a favourable development for inflation-sensitive bonds.

However, US Treasury prices were lower across the board in light activity, hit by fresh strength in commodity and gold prices and the continued weakness of European government bonds.

Among the day's economic reports, the Conference Board, an industry trade group, said consumer confidence had ebbed in May, after growing in the previous two months.

Meanwhile, the Commerce Department reported personal income in April had risen 0.4 per cent, in line with expectations, while personal spending had dipped 0.1 per cent, against forecasts of no change. April new homes sales showed a 6.8 per cent decline from March.

No single item of data had much impact, although traders were unsettled by the monthly survey of Chicago's purchasing managers.

This month, the regional index of business activity showed a slight drop from April, but the index of prices paid by purchasing managers jumped from 59.8 to 63.6.

OM to concentrate on core activities

By Hugh Carnegy in Stockholm

OM Group, a Swedish company which runs derivatives exchanges in Stockholm and London, is selling its financing businesses and dropping plans to participate in founding a new Swedish bank in order to concentrate on core exchange and clearing operations.

OM, operator of the OM Stockholm exchange and the OMLX exchange in London, said the surprise decision to restructure was prompted by the dramatic recent growth in volume of derivatives traded.

"We can see steady growth in the exchange and clearing business for derivatives, not least in London. With all the discussion going on about the risks, we think the demand for centralised clearing will grow," Mr Olof Stenhammar, OM's founder and chief executive, told the Financial Times.

He said that the combined daily volumes at OM Stockholm and the OMLX had jumped from 97,000 contracts in December to 135,000 contracts in May, with the daily value of clearing operations rising from SKr50bn to SKr70bn in the same period.

OM Group, founded in the mid-1980s, is listed on the Stockholm Stock Exchange. Its biggest shareholder is the powerful Wallenberg family, which holds a 21 per cent stake.

Mr Stenhammar, who remains under investigation by the country's state prosecutor for insider trading allegations, which he strongly denies, owns 7 per cent.

OM had intended to extend its interests in finance activities to founding a bank called Tre Kronor Bank in a joint project with a state pension fund and AFS, a financial services arm of Asea Brown Boveri, the Swiss-Swedish engineering giant. But Mr Stenhammar said this no longer fitted with group strategy.

OM said the sale of its OM Finans division, which it hopes to complete by the end of this year, would increase its equity to assets ratio to around 70 per cent from 54 per cent at present.

AFS and the pension fund issued a joint statement saying the Tre Kronor Bank project would no longer go ahead, despite initial approval from the banking authorities.

● OMLX is to launch today FLEX futures and options on the OMX Index, the FT-SE Mid 250 Index and on 23 Swedish stocks, writes Conner Middelmann.

OMLX is the first London-based exchange to launch FLEX instruments, which are tailored to suit individual investors' needs while being traded and cleared through a recognised investment exchange.

Focus remains on the short end with issues worth $800m

By Peter John

The short end of the eurodollar sector remained in focus yesterday with the launch of four issues worth a total of $800m. They followed the successful short-dated offering last week by AT&T.

Dealers said yesterday's deals provided the issuers with good opportunities to swap into other currencies and appealed in particular to Swiss retail investors who were overweight in the US currency.

"It's an arbitrage play and as long as swap spreads remain at these levels this part of the yield curve will remain attractive," said one dealer.

The best reception was given to the $250m offering of three-year paper by Australia's Export Finance and Insurance Corp (Efic). Traders said the yield spread of 20 basis points above the equivalent Treasuries was a reasonable reflection of the group's double-A rating, although some suggested that the name was not sufficiently well-known to attract substantial demand.

INTERNATIONAL BONDS

ABB Finance raised $200m of debt with a similar maturity and coupon as Efic and bookrunner Goldman Sachs priced it to yield 16 basis points above Treasuries. It was also targeted at Swiss investors but rivals claimed it was priced too aggressively and the electrical engineering group did not have the appeal of big US and Japanese corporate names such as Toyota, GECC and AT&T.

The $200m three-year issue from Landesbank Schleswig Holstein, priced to yield 20 basis points over Treasuries, was also treated with some scepticism. But BZW, which lead-managed the issue, said the pricing was sufficiently generous, considering that the yield on AT&T's deal was now five basis points below Treasuries. It added that although the spread had widened to 23 basis points, LB Schleswig Holstein was the most highly-rated of the day's three biggest dollar issuers.

Finally, the Council of Europe offered $150m of two-year bonds and Rabobank Nederland offered C$100m of three-year debt.

There was also a flurry of yen-denominated issues yesterday with Mitsubishi Estate, the property arm of the Japanese trading group, topping the list with an offering of Y35m of six-year debt and Y20bn of eight-year paper. Both issues were targeted at Japanese institutions.

● In Japan, Mitsubishi Corporation, the country's biggest trading house, raised Y200bn in five-year bonds, the largest domestic bond issue of its kind, writes Robert Patton in Tokyo.

The issue topped the previous record, a Y150bn issue by Tokyo Electric Power, and will give a boost to Japan's fledgling corporate bond market which has been struggling to free itself from regulation.

Over the past year, the market has been opened to a wider range of issuers and restrictions on floating-rate notes have been lifted.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Export Fin. & Insurance Corp.	250	6.50	99.66R	Jul.1997	0.1875R	+20 (6½%-97)	IBJ International
ABB Finance	200	6.50	99.64R	Jun.1997	0.20R	+16 (6½%-97)	Goldman Sachs Intl.
LB Schleswig-Holstein	200	6.625	99.897R	Jul.1997	0.225R	+20 (6½%-97)	Barclays de Zoete Wedd
Council of Europe	150	6.00	99.66R	Jun.1996	undiscl.	+8 (5⅞%-96)	IBJ Intl./ UBS
YEN							
Mitsubishi Estate Co.(c)	35bn	3.85	100.28R	Sep.2000	0.30R	-	Nikko Europe
Mitsubishi Estate Co.(c)	20bn	4.00	100.275R	Sep.2002	0.375R	-	Yamaichi Intl.(Europe)
Morgan Stanley Group(c,d)	20bn	4.00	100.00	Oct.1999	undiscl.	-	Morgan Stanley Intl.
Sudwestdeutsche Landesbank(e)	20bn	3.125	99.865R	Jun.1999	0.225R	-	CS First Boston
STERLING							
Abbey Natl.Treasury Services‡	100	(f)	100.00R	Jun.1996	0.125R	-	SG Warburg Securities
CANADIAN DOLLARS							
Rabobank Nederland	100	8.00	99.83R	Jun.1997	0.125R	+10 (g)	Daiwa Europe

Final terms and non-callable unless stated. The yield spread (over relevent government bond) at launch is supplied by the lead manager. ‡Floating rate note. R: fixed re-offer price; fees are shown at the re-offer level. c) Short 1st coupon. d) 3-mth Libor +⅛% for 1st 3 mths. e) Long 1st coupon. f) 3-mth Libor +½%; max 8%. g) Over interpolated yield.

Warsaw bourse in the black

The Warsaw Stock Exchange made a net profit of 171bn zlotys in 1993, the exchange's first profit since it was created in 1990, Reuter reports from Warsaw.

Mr Wieslaw Rozlucki, bourse president, told a meeting of shareholders that in three years the bourse has paid back 108bn zlotys of a start-up credit from the treasury.

The exchange wants to add an extra trading session to the three sessions per week held currently, the bourse said.

Trading presently takes place on Monday, Tuesday and Thursday of each week. The main market lists 23 shares.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.000	09/04	102.2600	–	8.66	8.68	8.75
Belgium		7.250	04/04	86.0600	–1.330	7.98	7.60	7.49
Canada *		6.500	06/04	85.2500	–1.050	8.75	8.42	8.39
Denmark		7.000	12/04	82.2700	–2.430	8.11	7.58	7.44
France	BTAN	8.000	05/98	104.8750	–0.500	6.55	6.27	6.32
	OAT	5.500	04/04	87.3700	–1.030	7.34	6.91	7.04
Germany		6.750	05/04	98.3900	–0.720	6.98	6.73	6.49
Italy		8.500	01/04	91.0000	–1.800	9.96†	9.29	9.13
Japan	No 119	4.800	06/99	107.2450	–0.470	3.14	3.13	3.33
	No 157	4.500	06/03	104.5020	–0.710	3.89	3.75	3.89
Netherlands		5.750	01/04	91.0200	–0.620	7.06	6.85	6.80
Spain		10.500	10/03	103.7000	–1.100	9.86	9.52	9.80
UK Gilts		8.000	06/99	90-26	–14/32	8.21	7.63	7.83
		6.750	11/04	87-02	–52/32	8.65	8.10	8.20
		9.000	10/08	102-11	–58/32	8.71	8.18	8.30
US Treasury *		5.875	02/04	90-29	–4/32	7.19	7.11	7.16
		6.250	08/23	85-21	–13/32	7.45	7.35	7.38
ECU (French Govt)		6.000	04/04	87.8600	–1.080	7.80	7.35	7.49

London closing. *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime		Treasury Bills and Bond Yields			
		One month	3.83	Two year	6.04
Prime rate	7¼	Two month	4.24	Three year	6.38
Broker loan rate	5½	Three month	4.28	Five year	6.79
Fed.funds	4¼	Six month	4.84	10-year	7.18
Fed.funds at intervention	-	One year	5.38	30-year	7.45

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

[illegible]

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

[illegible]

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

[illegible]

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

[illegible]

■ NOTIONAL MEDIUM TERM GERMAN GOVT. BOND (BOBL)(LIFFE)* DM250,000 100ths of 100%

[illegible]

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	108.90	108.22	-1.08	109.15	108.11	55881	59699
Sep	107.70	107.07	-1.33	108.13	107.02	18255	19471
Dec	-	107.07	-1.33	-	-	0	0

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

[illegible]

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

[illegible]

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

[illegible]

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

[illegible]

Ecu

■ ECU BOND FUTURES (MATIF)

[illegible]

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

[illegible]

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

[illegible]

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Tue May 31	Day's change %	Fri May 27	Accrued interest	xd adj. ytd		Low coupon yield May 31	May 27	Yr. ago	Medium coupon yield May 31	May 27	Yr. ago	High coupon yield May 31	May 27	Yr. ago
1 Up to 5 years (24)	121.89	–0.59	122.62	2.21	4.34	5 yrs	8.28	8.04	7.14	8.50	8.26	7.37	8.58	8.33	7.59
2 5-15 years (22)	139.27	–1.35	141.18	2.31	5.32	15 yrs	8.63	8.40	8.10	8.75	8.53	8.50	9.07	8.85	8.75
3 Over 15 years (9)	154.96	–1.88	157.83	3.21	4.06	20 yrs	8.59	8.36	8.32	8.75	8.53	8.60	8.87	8.66	8.79
4 Irredeemables (6)	174.46	–2.62	179.15	1.22	6.12	Irred.†	8.62	8.39	8.63						
5 All stocks (61)	137.30	–1.21	138.98	2.43	4.82										

Index-linked

[illegible]

Debentures and Loans

[illegible]

FT FIXED INTEREST INDICES

[illegible]

GILT EDGED ACTIVITY INDICES

[illegible]

FT/ISMA INTERNATIONAL BOND SERVICE

[illegible]

UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

Colombian find shores up Lasmo's bid defence

By Robert Corzine

Lasmo, the independent explorer under siege from hostile bidder Enterprise Oil, yesterday shored up its defence by announcing the discovery of a new find in Colombia.

The Revancha 1 well, which was tested at a rate of 6,200 barrels of oil a day, is just 3km from an earlier discovery. Lasmo estimated the combined recoverable reserves at between 50m and 150m barrels.

Analysts said the new discovery could be worth some 2p to 5p on Lasmo's share price. But some speculated that finds announced during the bid process might eventually be scaled back.

Colombia accounts for about 5 to 7 per cent of Lasmo's output. It has been cited by Enterprise as one of the areas which suffers because of Lasmo's heavy financial commitments elsewhere.

Mr John Hogan, Lasmo's chief operating officer, acknowledged that development of the latest discovery was not in the budget. But "there is always money available for good projects".

He noted that three more exploration wells for the area were in next year's budget. Full scale development is not envisaged before late 1995 or early 1996, by which time Lasmo will have completed its extensive capital programme to develop the Liverpool Bay gas field.

The two discovery wells in Colombia are 5km from the Purifacacion field, from which Lasmo is trucking out 5,000 barrels a day.

Mr Hogan said the expensive trucking operation, which analysts say can add up to $5 a barrel in costs, will end later this year when a pipeline with a capacity of 35,000 b/d is completed.

Lasmo wants to achieve early production from the new discoveries to generate cash which will be used for the further development of the field.

A temporary pipeline might be built to link the new discoveries to Purifacacion as early as next year, Mr Hogan said.

Lasmo's 66 per cent interest in the block will fall to 30 per cent when it proves to be commercially viable and Ecopetrol, the Colombian state oil company, exercises its option to back into the deal.

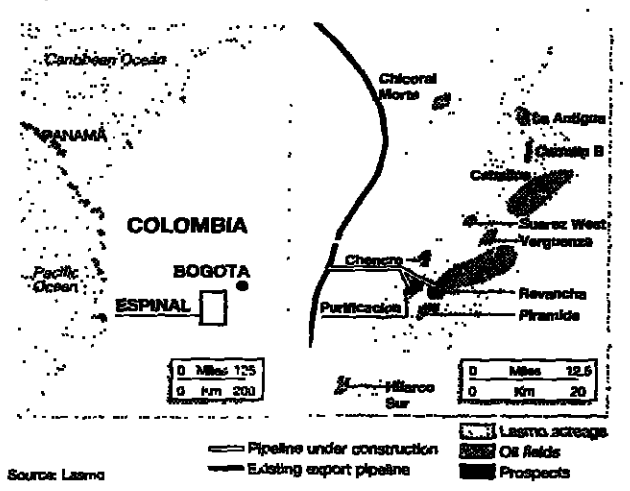
● Lasmo yesterday retracted an earlier statement which claimed that: "In the 1990s Enterprise has lost over £150m in international operations." It acknowledged that the loss-making operations mentioned did not include Norway, which "... was not lossmaking over the period".

Enterprise pointed out that Lasmo had "chosen to ignore" 93 per cent of its international production. Norway last year accounted for turnover of £144m, against total international revenues of £154.6m.

Enterprise has until the opening of the London Stock Exchange today to extend its £1.3bn bid.

See Lex

Espinal block Colombia



Source: Lasmo

Pentos sells Athena to management team for £1.9m

By Paul Taylor

Pentos, the specialist retailing group, has sold the publishing, manufacturing and wholesaling businesses of Athena International to a management team backed by Henderson Venture Managers for a maximum of £1.9m.

The three-person management buy-in team is led by Mr David Clipsham who has had a career in marketing and creative-led businesses, including periods with both the Athena retail and publishing businesses as well as being a divisional director of WH Smith.

Athena's operations involve the design, manufacture, sales and distribution of graphic arts printed products including greeting cards, postcards, posters and prints under the Athena brand name, together with frames and framed products under the KwikFrame and Montana brands.

The company, which has turnover of about £12m and exports some 15 per cent of sales, will continue to supply the Athena retail chain which accounts for about one third of its business. It employs between 100 and 150 people.

Mr Clipsham said the new management team intends to boost the group's overseas sales and take advantage of its new independence to develop domestic sales by broadening both the product range and the customer base.

The other two members of the management buy-in team are Mr Paul Bendit, finance director, and Ms Linda Worsfold, publishing director.

CIA in £3m purchase of Dutch group

CIA Group has acquired MediaMend, a Dutch media independent, for up to £3.1m, including the issue of 660,000 new ordinary shares.

The acquisition takes in 75 per cent of MediaMend's Belgian sister company. MediaMend has projected billings in Benelux of more than £30m.

Making an appeal to all sides

James Buxton on why Mining (Scotland) wants part of British Coal

If political acceptability is to count for anything in the government's selection of the winning bids for the assets of British Coal then a company named Mining (Scotland) is ideal.

The consortium has the support of the National Union of Mineworkers in Scotland, and Mr Campbell Christie, general secretary of the Scottish Trades Union Congress, sits on its board. But its co-chairman is Professor Ross Harper, a former president of the Scottish Conservative party, and his co-chairman is Mr George McAlpine, a former British Coal area director for Scotland.

The formation of Mining (Scotland) last summer was both an example of the Scottish preference for consensus rather than confrontation, and of Scottish pragmatism in pursuit of an objective. The moderate Scottish branch of the NUM has swallowed any ideological objections to privatisation in the interests of getting a share of the assets.

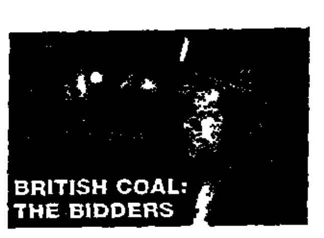
Those assets are among the most attractive the government is offering. They consist of one deep mine, Longannet, and nine opencast sites, with a number of prospective opencast sites for future development. Last autumn Scottish Power and Hydro-Electric agreed to buy 2.5m tonnes of coal in 1994-95, rising to 2.8m tonnes each year until 1997-98.

The low sulphur content of much of Scotland's coal makes it relatively friendly in environmental terms, and demand is set to rise from 5.3m tonnes this year to 7.5m in 1998. This is because of the increase in the capacity of the interconnecting power lines to England and the tailing off of supplies of gas from the Miller field in the North Sea to Hydro-Electric's power station at Peterhead, Grampian.

The government is also offering as a separate lot the Frances colliery near Kirkcaldy in Fife, which has been mothballed for several years but which possesses reserves of low sulphur coal. Mining (Scotland) is interested in that too, though realises that it could require a substantial investment.

The attractions of the Scottish coalfield have been appreciated by other bidders. Last month Ryan Group, the coal producer, announced a joint venture with Miller Group, the Edinburgh-based construction company. Between them they already mine 40 per cent of Scottish coal under contract to British Coal.

Scotcoal, as it is called, also has a top Scottish Tory on its board: the chairman is Lord Sanderson who until last May was chairman of the party. Other companies are thought to have pre-qualified, if only to see the details of what British Coal is putting on sale.



Mr Brian MacDonald, the Glasgow businessman whom Mining (Scotland) appointed chief executive last autumn, says that part of the eventual deal should be structured as a management-employee buy-out through an employee share ownership plan. The mining unions would invest separately.

Other shareholders are likely to be involved. Mr Malcolm Edwards, the former British Coal commercial director who has formed a company called Coal Investments, is on the board and would take a stake. Intriguingly, Mr MacDonald says Mining (Scotland) is negotiating a partnership with another British coal mining company, but refuses to name it.

He envisages the founding shareholders' equity being supplemented by loans and venture capital funding, though he says "high gearing is not desirable." Royal Bank of Scotland has told the company it would consider lending to it and Murray Johnstone, the Glasgow investment house, should offer venture capital. If all goes well, Mining (Scotland) would expect to float on the Stock Exchange in five to seven years time.

However, these are early days. First Mining (Scotland) wants to know exactly what British Coal is offering and what liabilities such as subsidence, flooding, pollution and miners' health the government expects the purchaser to take on. The government has indicated that it is prepared to address some of the potential bidders' concerns on these costs but has yet to decide where to draw the line.

"The liabilities are a big problem," Mr MacDonald says. "If they are not capped by the government in some way I don't believe anyone will want to buy the assets."

Exceptionals hit United Breweries

By Graham Deller

Exceptional charges and a substantial property write-down combined to push United Breweries, the USM-traded regional brewer and pub operator, deeper into the red.

Despite what Mr Vijay Mallya, chairman, described as "extremely difficult trading conditions" turnover during the year to November 30 jumped 68 per cent to £4.14m, while operating profits before the exceptionals improved from just £38,000 to £463,000.

The pre-tax line, however, showed a deficit of £8.57m (£978,954) following non-recurring exceptional charges of £758,570 against the Chainmaker division, bad debt write-offs and "other known losses". Interest charges increased from £720,177 to £815,279.

As announced in April, a revaluation of the group's 76 public houses resulted in a £7.49m write-down, effectively eliminating the company's reserves and leading it to breach its banking covenants.

Nevertheless, Mr Mallya remained cautiously optimistic: "The underlying business continues to improve through operational efficiency. Negotiations for both the restructuring and acquisitions continue."

Losses per share widened from 8.58p to 10.65p.

Conquest Inns buys Bass pubs

Conquest Inns, a company set up by three former executives of the UK's leading brewing groups and funded by The Ann Street Brewery Company, Jersey, and Barclays, yesterday announced it had completed its first acquisition, writes Peter Franklin.

The deal comprises the purchase from Bass, for an undisclosed amount, of 59 pubs in the Midlands, London and south-east England.

Mr Adam Hogg, previously an executive with Courage, and Conquest's managing director, said he welcomed the involvement of The Ann Street Brewery as the company's majority shareholder.

Mr Ian Steven, Ann Street's chairman and chief executive who is also chairman of Conquest Inns, said: "We have been looking for opportunities to invest outside the Channel Islands for some time, and Conquest Inns fits our strategy of investing in management teams in industries in which we have experience.

"We have no immediate plans for introducing Ann Street brands into England," he added.

NEWS DIGEST

Stratagem turns in £280,000

Stratagem, which has evolved from an investment company into a group with interests in the manufacturing, distribution and service sectors, yesterday reported a pre-tax profit of £280,000 for the six months to end-February.

The outcome compared with profits of £272,000 and came from turnover up from £690,000 to £33.8m. The results were bolstered by the inclusion of a first-time contribution from Harrison Industries, acquired last August.

The directors said that all three divisions acquired with Harrison were reporting profits by the end of the period.

At the same time Veritas, the car dealership operation, had benefited from the reorganisation which was implemented after it became wholly owned in late-November 1993.

Earnings per share emerged at 1.6p (2.2p) and the interim dividend is maintained at 1.5p.

Rackwood ahead of forecast

Rackwood Mineral Holdings, the opencast mining group which obtained a listing in January, returned pre-tax profits of £29,000 for 1993.

That compared with a prospectus forecast of £10,000 and was achieved on turnover of £2.97m. Interest charges accounted for £221,000. Basic earnings per share emerged at 0.36p; on a pro forma basis the figure was 0.18p.

The shares, placed at 40p in January, rose 2p to 48p.

Rank plans Kent holiday village

Rank Organisation, the leisure company, is seeking planning permission to build a holiday village on a 400 acre site near Lyminge, Kent.

The company said it had an option to acquire the site from Forest Enterprise, an offshoot of the Forestry Commission.

Orders 'robust' at BTR Nylex

Mr Alan Jackson, chairman of BTR Nylex, the Asia-Pacific arm of BTR, the industrial conglomerate, said yesterday that orders and sales performance in the first four months of 1994 had been robust.

"Apart from isolated exceptions, the vast majority of our companies in these markets are well ahead of prior-year orders and sales, although not all these companies are yet achieving commensurate profit drop-through performance", he told shareholders at the annual meeting in Melbourne.

Mr Jackson added that the company's Taiwan Polymer businesses were benefiting from more favourable pricing, and operating profits for that sector were substantially up on those of the equivalent period of 1993. He expected "substantial" gains for the company overall in 1994.

Cardiff lifts offer for First Choice

Cardiff Property has increased its offer for First Choice, the residential property developer. The new offer, which is recommended, values First Choice at £2.59m and will be satisfied by the issue of 796,588 new Cardiff ordinary shares at 325p apiece.

The revised offer comprises 53 new Cardiff ordinary for every 500 First Choice shares and 22 new ordinary for every 15 A ordinary £1 shares.

Some 200,000 new Cardiff ordinary have already been placed firm at 315p, raising £630,000. Assuming full acceptance of the offer, 996,588 new shares, representing 26.6 per cent of the enlarged share capital, will be issued following the offer and placing.

£9.7m purchase for UniChem

UniChem, the pharmaceutical wholesaler and chemist retailer, has paid about £9.7m cash for Hospital Management & Supplies, a hospital supply company.

In 1993 HM&S handled some £30m of supplies through warehouses in Northampton and Glasgow. The vendor was Baxter Healthcare.

SW Electricity to purchase own shares

South Western Electricity, the power supplier and distributor, is to seek shareholder approval to purchase up to 10 per cent of its own share capital.

The request will be put to the annual meeting on August 4.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
De La Rue ....fin	14	Aug 25	13.15	20	17
Gartmore Scot ....int	2.4♠	-	2.4	-	10
Plysu ....fin	5†	July 19	5	7	7
Stratagem ....int	1.5	June 30	1.5	-	4.75

Dividends shown pence per share net except where otherwise stated. †On increased capital. ♠Third quarter distribution; makes 7.2p to date.

Beazer Homes jumps by 20% to £15.6m

By Andrew Taylor, Construction Correspondent

Pre-tax profits of Beazer Homes, the former Hanson subsidiary which was floated only two months ago, jumped by a fifth from £13m to £15.6m during the six months to March 31.

The improvement had been widely expected and the shares yesterday fell 2p to 154p, against an issue price of 165p. Shares prices of housebuilders have fallen sharply since March amid fears that the next interest rate movement will be upwards, undermining housing market confidence.

Mr Dennis Webb, chief executive, said yesterday that turnover during the six months had risen by 26 per cent, from £105.8m to £133.1m. Earnings per share, after a 26 per cent tax charge, were 4.6p (5.2p).

The group, which is changing its year end to June 30, intends to pay a dividend of 1.8p for the nine months to the end of June. Mr Webb hoped future distributions to shareholders would be covered by earnings at least 2 to 3 times.

The group completed 2,210 homes during the period – 17 per cent more than the 1,884 completed a year earlier. The average price of a home rose from £57,400 to £61,600.

Operating margins, however, fell from 12.6 per cent to 11.9 per cent – as forecast in the flotation prospectus. Mr Webb said that he would expect margins to start to recover slightly.

At the end of March the group had net cash of £74.7m available for land purchases and acquisitions. It plans to increase annual output to about 7,000 homes by the end of the decade, compared with about 5,000 to 5,500 currently.

Mr Webb said the market for housing land was very difficult in south-east England with some buyers paying "silly prices". Nonetheless, it was still possible to buy some sites by private treaty at sensible prices.

At the period end the group owned 16,552 plots with planning permission in its books at £9,000 a plot, compared with £8,500 a plot when the flotation prospectus was published.

● COMMENT

Beazer Homes' shares have fallen by more than 5 per cent from the issue price reflecting general stock market concern about the potential impact of rising interest rates and land prices on housebuilders' profits. The potential for Beazer to improve its margins is less than for some of its rivals given that it has opted for "jam today" policy by writing down land values to include a margin for profit. Pre-tax profits of £30m for the nine months to June and £51m for the following 12 months would put the company on 12 times earnings on 1994-95 profits. The rating is unlikely to improve in the short term with sentiment running against housebuilders and the market waiting to see how wisely the group intends to spend its cash. The jury is still out.

Tony Andrews

Dennis Webb (left) with David Smith, finance director

Heron Intl sifts through the bidders

By Simon Davies

Heron International's board of directors yesterday started the process of selecting a short-list of six bidders for Mr Gerald Ronson's troubled property and petrol stations group, after the deadline for offers closed last Friday.

The company had expressions of interest from 40 groups but Lord Boardman, chairman, would not comment on the number of formal proposals that had been received. However, a number of leading US investment banks are understood to have submitted offers.

Goldman Sachs and Morgan Stanley, which control substantial property funds, have been discussing a similarly complex untangling of the property developer's Broadgate and Ludgate properties, and both are understood to be interested in Heron.

Heron has given assurances that it will be able to put forward concrete proposals to its bondholders by the end of the month, and Lord Boardman said the directors would meet again next week to discuss the proposals.

Heron had been on target in its asset disposal programme, agreed at the time of the £1.4bn restructuring last year. Many of these assets, however, were held by a subsidiary, Heron Corporation, whose bankers have first call on the proceeds.

Heron International was unable to meet its dividend payments, while the bankers to Heron Corporation have received payments in advance of the agreed timeframe.

Amstrad fills top post after seven-month search

Sugar signs new chief executive

By Paul Taylor

Amstrad, the consumer electronics group run by Mr Alan Sugar, yesterday appointed Mr David Rogers, a senior Philips executive, to the post of chief executive.

Mr Rogers, aged 47, is currently chief executive of Philips Advanced Communication Enterprise, an investment vehicle for the Dutch electronics group, and will take up his new appointment in August.

He was previously head of Philips Consumer Communications business which has annual sales of about £300m and is responsible for Philips' worldwide interests in telephones, facsimile machines, telephones and other products.

His appointment comes seven months after Mr Sugar first announced that he planned to split the roles of chairman and chief executive and began the search for someone to fill the new job.

The appointment comes at a critical time for Amstrad which is attempting to develop new markets to offset declining margins in its older consumer electronic operations.

Mr Sugar and Mr Rogers are understood to have spent considerable time together over the past couple of months in an effort to ensure that "the chemistry was right" and that they could work together effectively.

Mr Sugar, Amstrad's colourful chairman and founder, has also strengthened the board through the appointment of two non-executive directors in the past 18 months.

Mr Rogers' appointment appears to underline Mr Sugar's determination to expand Amstrad's advanced telecommunications equipment operations and to strengthen the group's strategic planning.

In his last job Mr Rogers was responsible for Phillips' investment in General Magic, a Californian-based software company founded by the two lead designers of the Apple Macintosh.

Before joining Philips in 1986 Mr Rogers spent most of his career in the British electronics industry working for both GEC and Plessey. He also had a five year spell with Black & Decker.

He has considerable international experience – particularly of the European Union, the US and east Asian markets.

Mr Rogers speaks French and German and has a BA in business management.

Warburg highlights exposure

Derivatives accounting is causing concern. Andrew Jack reports

SG Warburg yesterday became the latest in a series of British banks to highlight exposure to derivatives under pressure from European law and industry guidelines enacted at the end of last year.

Derivatives are the financial instruments such as swaps, futures and options whose value is "derived" from more conventional financial assets. Their presence and treatment in accounts has come under growing scrutiny in the last few months, particularly in the light of the hundreds of millions of dollars lost by such blue chip companies as Proctor & Gamble and Metallgesellschaft.

But accountants and other readers of accounts warn that the new disclosure requirements now in place for banks still only provide very little information, and that this data needs to be interpreted with great care.

Warburg's accounts for the year to March 31 1994 contain a number of changes to the format of the profit and loss account and balance sheet and accompanying notes, as well as an "operating and financial review" designed to describe the company's performance and strategy in text.

"This is a more transparent document," says Mr Simon Leathes, Warburg's group finance director. "As time moved on we felt it was appropriate to give people who read our accounts more information."

No new disclosure is more significant than note 30, which shows for the first time Warburg's "forward and futures contracts" divided between three categories: exchange rate contracts, interest rate contracts and equity contracts.

Three numbers are provided under each heading:

● contract or underlying principal: a notional value for the gross volume of outstanding derivatives business at the balance sheet date.

● replacement cost: the cost to the bank if counterparties to the derivative contracts fail to meet their obligations. The cost is calculated by aggregating those contracts with a positive value when "marked to market" at current prices.

● credit risk weighted amount: a Bank of England formula to give an indication of the credit risk of the contracts.

The categories used and the level of disclosure provided are similar to those adopted in the latest accounts produced by banks such as Barclays, Kleinwort Benson and Schroders.

The reason for the additional disclosures dates back to the introduction of the EU fourth company law directive, which lays down reporting requirements but specifically excluded banks and insurance companies as special cases needing separate rules.

In the UK, these EU rules for banks were incorporated in Schedule 9 of the UK Companies Act – generally known as the "bank accounts directive" – and came into force for companies with year-ends after December 22 last year. It included references to derivatives.

Far more detailed advice has been provided in an accompanying "Sorp" – statement of recommended practice – produced by the British Bankers' Association. While not mandatory, it represents best practice which banks would be loathe to ignore.

However, the level of disclosure still provides an imperfect picture. "It is very hard to give information that really reflects the risks involved," says Mr Leathes. "It is very hard to know how to do so without misleading people unless you have a detailed knowledge of how firms with big numbers are managing their risk. The whole thing could boil down to very little."

Mr John Tattersall, a banking partner with Coopers & Lybrand, the accountants, says warily that readers could try to compare the replacement cost of contracts against the balance sheet total, or the credit risk value against the banks' more conventional exposures such as customer loans.

His wariness is shared by Mr Chris Taylor, a partner in the capital markets group of accountants Price Waterhouse. "I'm not sure it's terribly sensible to compare anything. This is very crude measure with very raw data."

He warns that the exchange, interest and equity contract categories are still enormously broad. He adds that while the figures provide an assessment of the credit risk of the counterparty in a transaction, they do not assess the market risk.

Mr Taylor says that draft proposals from the US Financial Accounting Standards Board, issued in April, would disclose the average, maximum and minimum market value of contracts during the financial reporting period.

The parting of the ways

Peggy Hollinger on the demerging of ECC's construction materials arm

It took only six minutes at yesterday's EGM to secure shareholder approval to launch English China Clays as a speciality minerals and chemicals company. Trading in Camas, its demerged construction materials arm, starts today.

Yet it has taken almost four years of planning and rationalising for Mr Andrew Teare, chief executive, to get the group into its present shape.

When he arrived from Rugby, the construction materials group, Mr Teare was faced with revitalising what was, in effect, a mining company which had mistakenly strayed into housebuilding. After withdrawing from the housing market and cutting more than 30 per cent of the workforce, yesterday's demerger marks the final chapter of ECC's transition.

Mr Teare is left with a minerals operation dependent on the paper industry, and a chemicals business based on the recent purchase of Calgon, a US water treatment group.

The logic of demerging a business on the verge of recovery while the remaining core operations are a year behind in the economic cycle has come under widespread attack.

Mr Teare is confident, however, that the timing of the demerger is an irrelevant issue, since shareholders will have stakes in both companies.

He intends to focus on building ECC around two concepts – added value and service. The key to his strategy is research and development, which is at the heart of both divisions.

Mr Teare's game plan goes something like this: ECC intends in the short to medium term to remain heavily dependent on the paper industry. While margins have come under severe pressure in recent years due to overcapacity, paper volumes have actually increased at a rate of 3 to 4 per cent a year in recent years.

This steady growth allows ECC to avoid the excessive cyclical swings of volatile sectors such as building materials, and provides a certain degree of security, he says.

With volumes steady, but margins weak, Mr Teare argues that profit growth must come from technical innovation and the provision of integrated services.

For example, his utopia has ECC providing the minerals used to whiten paper and the chemical processes to reclaim the products for recycling.

Andrew Teare: focusing the business on two concepts

The opportunities presented by environmental legislation are vast, Mr Teare says, when one considers that the paper and packaging industries generate some 40 per cent of the world's landfill demand.

The paper industry is also one of the largest producers of waste water. Enter Calgon, the US acquisition upon which ECC intends to build a global speciality chemicals business.

ECC's logic is that because it is a substantial user of chemicals in its mineral refining process, there is much to be gained by combining the research and development expertise of the two divisions.

If all goes to plan, this would lead to more innovative products, allowing ECC to raise prices and offer integrated services in a world where manufacturers want to deal with fewer suppliers.

The theory sounds attractive. There are some sceptics, however, who suspect it may not be so easy to implement.

ECC remains largely dependent on its kaolin product, a mineral used to whiten paper, and has stocks which are expected to last for substantially more than 25 years. Yet kaolin is facing heavy competition from cheaper alternatives such as calcium carbonate, which ECC also provides but in much smaller quantities.

Although demand for kaolin is growing, it is doing so at a much slower rate than the cheaper alternatives. Furthermore, ECC has had to take some sharp price cuts to keep the market going.

"If kaolin loses market share, then ECC's profits will suffer," one analyst says. "We are not convinced that this is a very clear cut recovery story."

Profits warning slices 71p off Hall share price

By Paul Taylor

Shares of Hall Engineering (Holdings) fell almost 30 per cent yesterday following a profits warning from the Shrewsbury-based steel products and automotive engineering group.

The directors said that because of problems in the Stadco automation engineering operations and margin pressure in the general steel stockholding and steel reinforcement businesses the results for the current year were expected to be "materially short of those for 1993".

The shares closed 71p lower at 169p

Last year the group reported pre-tax profits of £8.56m and raised its dividend for the year by 10 per cent to 9.5p.

In their statement yesterday the directors said that, providing there was no further deterioration in the forecast for this year, they expected to maintain the dividend at 9.5p.

They said that Stadco's automation engineering division, which designs and builds assembly line welding systems for car manufacturers, had been affected by the decision of an unidentified continental European car manufacturer to cancel one of three sections of a £21m contract.

Although the customer was expected to reinstate part of this section of the contract following further negotiations, the company said the disruption to Stadco's production plan had resulted in "an under recovery of overheads".

Squeeze on margins halves Plysu to £5.4m

By Caroline Southey

An erosion in margins sharply reduced profits at Plysu, the plastic container manufacturer, in the year to March 31.

It yesterday reported pre-tax profits down almost 50 per cent from £10.8m to £5.43m. Sales were up by 2.7 per cent to £88.8m (£86.4m).

Mr David O'Shaughnessy, chairman, said the results were disappointing although he considered the year successful because of the development of new products and investment in plant and equipment. Plysu had issued a profits warning in October, just after Mr O'Shaughnessy was brought in as chairman in September.

The dairy and juice division, which in the period increased its share of the UK milk and fruit juice containers market to 66 per cent, secured several long-term supply contracts.

Two new factories were commissioned during the year, new products were introduced and additional capacity was brought on stream.

Operating profit from continuing operations fell from £10.9m to £7.39m. Exceptional reorganisation costs of £1.4m covered closing some UK plants.

Mr O'Shaughnessy said Plysu remained committed to its continental European businesses despite over-capacity in the industrial containers sector and the poor economic climate. There were signs of sustained improvement in the UK market, he said.

Earnings shrank to 7.3p (15.3p). An unchanged final dividend of 5p is proposed, maintaining the total at 7p.

COMMODITIES AND AGRICULTURE

Softs take off in US and London on Chicago rally

By Our Commodities Staff

Corn and soyabean futures prices at the Chicago Board of Trade surged by their allowable daily limits just after the opening yesterday, triggering a renewed rally in soft commodities in the US and London after last week's profit-taking.

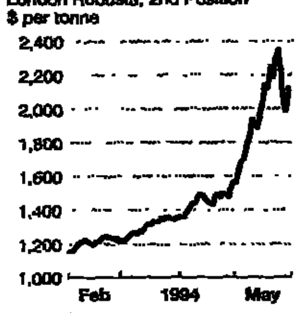
Chicago traders sent prices up in response to an absence of rain in the main midwestern crop areas over the long holiday weekend. The National Weather Service on Friday issued 30-day and 90-day forecasts that predicted near-normal moisture patterns in the midwest. But traders are reacting to short-term dry weather because of a shortfall in last year's US crop.

"It's still May and we've already had two weather scares," said Mr Vic Lespinasse, a Dean Witter Reynolds trader, referring to a similar jump in grain prices on Monday last week. "The market is reacting to every little worry."

Last Tuesday, Chicago grain markets tumbled back down again, setting off long-awaited profit-taking in other softs.

Coffee

London Robusta, 2nd Position
$ per tonne



Source: Datastream

At midday yesterday, July soyabean futures were up the maximum allowable 30 cents per bushel at $6.73¾. Trading had halted. November Maize futures were up by their 12 cent limit at $2.78¾ per bushel.

Investment and hedge funds have bought heavily into commodities in recent weeks, feeding a general buying spree that started with coffee futures. The early excitement in Chicago yesterday spilled over into silver and gold in New York, and into coffee and cocoa.

"It's just a technical, speculative binge that we're seeing here," said Mr Bill O'Neill, analyst with Merrill Lynch.

He underlined that the coffee market had strong fundamental support from the supply shortage. The July arabica contract in New York was up 5.10 cents in afternoon trading at 126.40 cents a pound.

In London, robusta coffee futures had a strong day, but with bouts of profit-taking and very thin volume, which left traders nervous. The July futures contract closed $132 higher at $2,118 a tonne. Last week the price plunged by over $360 a tonne from its seven-year peak of $2,348.

London cocoa futures picked up strongly, with July £39 higher at £1,027 a tonne.

Against the trend, nickel prices tumbled on the London Metals Exchange following the weekend agreement on a new contract between Inco, the world's second-largest nickel producer, and labour leaders at its Sudbury, Ontario, metals complex. Three-month nickel closed $102.50 a tonne lower at $6,325.

Kennecott makes large Canadian diamond find

By Bernard Simon in Toronto

The emerging diamond field in Canada's Northwest Territories has been further extended with a substantial discovery by a joint venture led by Kennecott, a subsidiary of the UK's RTZ group.

Kennecott's Canadian partner, Aber Resources, said that it has recovered 154 stones from a 155kg sample taken from its Diavik property, about 350km north-east of Yellowknife.

The property is on the southern boundary of the Lac de Gras area in which Australia's BHP Minerals and its Canadian partner, Dia Met Minerals, have already made substantial discoveries.

BHP and Dia Met are presently analysing bulk ore samples from their property before deciding whether to build North America's first diamond mine on the site.

Their confidence that the C$400m project will go ahead is reflected in talks which have already begun with the Northwest Territories government on environmental permits and financial arrangements for a mine. BHP believes the property could be in production by 1997.

Aber stressed that its discovery was concentrated in a single kimberlite pipe. Of the 154 stones, 38 had a diameter of more than 0.5mm. However, it said that preliminary results from another pipe also pointed to the presence of diamonds.

The Kennecott/Aber discovery has given another push to the surge in share prices of companies involved in the NWT diamond rush.

Aber gained 88 cents to C$8.25 in early trading on the Toronto stock exchange yesterday, after jumping by C$2 on Monday afternoon, following the announcement of its find. Dia Met was also higher.

Twenty years of oil for Côte d'Ivoire

Two offshore fields could bring self-sufficiency, writes Paul Adams

United Meridien Corporation, a US-based company, is developing two offshore oil and gas fields which by early next year would make Côte d'Ivoire self-sufficient in oil and supply natural gas to its expanding energy and power sectors.

UMC, in partnership with the Ivoirian state oil company Petroci, has tested 14,000 barrels of oil a day, with enough reserves to supply the whole country for the next 20 years, at the Lion One field, over a well drilled by Philips Petroleum in the 1980s. The well also has a large volume of associated natural gas.

UMC has also tested 30m cubic feet a day of natural gas and 732 barrels a day of condensate at its Panther One field.

UMC expects to complete negotiations with the Ivoirian government for a gas supply contract end-user by June, although the end-user is not yet known. Associated gas cannot be separated from the oil, so if there is no gas contract by January, the gas from the Lion field would have to be flared, which is environmentally damaging and a waste of resources.

Compagnie des Energies Nouvelles de Côte d'Ivoire (Cenci), a French-led consortium, also plans to supply gas but has so far failed to find finance to develop its offshore gas field, Foxtrot. Partners in Cenci include SAUR, the local subsidiary of Electricité de France and the French construction firm Bouygues; Petroci; and the International Finance Corporation (IFC).

A spokesman for UMC says that that there is enough domestic gas demand for both its own and Cenci's projects.

Côte d'Ivoire's electricity is very expensive and the power generation sector is trying to reduce both its costs and eliminate its imports. A large part of its electricity is imported from Ghana's big hydro-electric plant and it relies on energy imported from Nigeria for its local generation. The proposed nickel mine near the north-western border with Liberia, which a Canadian group plans to develop, would need 100 MW of power. Gas is also needed for the state's 50,000 barrels a day oil refinery at Vridi near Abidjan.

UMC signed production sharing agreements for its two fields with the government in late 1993, after amendments to Côte d'Ivoire's antiquated mineral laws, under terms which it says are favourable for both sides and will encourage further oil exploration and production.

"We believe there are several other exciting prospects along the coast of Côte d'Ivoire and are negotiating for more blocks," said a company spokesman in Abidjan.

UMC is also carrying out seismic testing for oil in Equatorial Guinea and will start drilling later this year.

Gold fever returns to Ghana

By Kenneth Gooding, Mining Correspondent

Ghana, once called the Gold Coast, is going through the third gold mining boom in its history and its output of the precious metal will reach 2m troy ounces in 1996, according to Mr Godfried "Geo" Kesse, who recently retired after 20 years as director of the Ghana geological survey. He was also an adviser to the minerals commission and a director of Ghana's state gold mining corporation.

Since its first gold rush started in 1880, Ghana has produced at least 41m ounces but output dropped to an all-time low of 280,000 ounces in 1982-83. Then a new government launched an economic recovery programme, changed the mining laws and made other moves to attract foreign capital into mining in Ghana.

These changes, and the country's relative political stability, encouraged phenomenal growth in the past seven years, Mr Kesse points out in a paper prepared for the Investment in Mining conference in New York this week.

'Geo' Kesse: joining the rush

In a country where no new gold mines had been brought into production since 1940, six have been opened since 1988. And at least US$800m has been invested in the gold sector alone with 66 Ghanaian and 19 foreign companies being issued with prospecting licences (mainly for gold) and 10 companies winning mining leases.

Gold output surged to 1.2m ounces last year and is on track to reach 2m ounces in 1996. Much of the production will still come from Ashanti Gold Fields, recently privatised by the Ghanaian government, with the rest coming from new projects and big expansion and rehabilitation programmes at other mines, says Mr Kesse, 61, who was awarded his geology degrees at universities in California.

He has now joined the Ghanaian gold rush as chairman of African Star Resources which has a 76 sq km concession near the Ashanti mine at Obuasi. African Star's parent company, Pacific Comox of Canada, recently raised C$2.5m (US$1.8m) which will mainly be spent on the Andansi Asaasi project where there are old underground workings developed between 1900 and 1930.

"There are 1,000 feet of underground workings but there has never been any drilling or geophysical work," says Mr Douglas MacQuarrie, president of Pacific Comex.

African Star is also participating in an initial 16,000 sq km airborne geophysical survey, the first high-resolution survey ever carried out in Ghana. It will cover most of the gold bearing greenstone belt in south western Ghana.

Copper miners need to raise $10bn by 2000

By Kenneth Gooding

International copper miners require more than US$10bn by the year 2000 for projects which have been announced but for which funding has not yet been secured, according to an analysis by the MetalsFinance newsletter.

It suggests that the scale of demand for capital means not all mines will obtain immediate financing.

"Developments are likely to be tiered according to their level of project, political and economic risk, among other factors. It is unlikely that projects in southern Africa will be developed ahead of mines in Latin America, while deposits in the Commonwealth of Independent States also face near-term uncertainty," it adds.

According to the newsletter, Latin American projects are seeking a total of $6.555bn, Africa requires "a conservative" $2.5bn, while smaller amounts will go to Australia and North America.

Gaspol to build Gdansk terminal

By Christopher Bobinski in Warsaw

Gaspol a joint venture formed by SHV, the Dutch energy group in Poland, is to build a liquid gas terminal in Gdansk, according to an agreement signed yesterday with the local port authority.

The terminal, to be completed by the end of 1995, will have 6,000 tonnes of storage capacity and permit 4,000 tonne tankers to deliver liquid gas from the North Sea. The initial cost of $22m is part of a $60m four-year investment programme due to run to 1996.

Gaspol is owned jointly with Calor of the UK, Primagaz from France and seven Polish filling plants.

US likely to boost world demand for coarse grains

By Alison Maitland

World consumption of coarse grains could rise by about 19m tonnes in 1994/95 on growing demand from the US, the International Wheat Council said in its latest grain market report.

"Although the declining trend is likely to continue in the former Soviet Union, a significant upturn is expected in the US," it said.

Growing livestock industries would also increase demand for coarse grains in developing countries, particularly in Asia, where their use for all purposes "could set a new record".

However, early calculations of consumption of 840m tonnes depended on a good US harvest. "Should the latter fall significantly below expectations, consumption would drop because of the limited volume of existing supplies in exporting countries," it said. Stocks at the end of 1993/94 were estimated to be only 111m tonnes.

The IWC forecasts 1994 world production of coarse grains at 837m tonnes, up 48m tonnes on last year. "Although crops are expected to decline or show little change in most countries, output should be boosted by a recovery in the US and another large harvest in China."

No recovery in demand is expected this year from Russia, where animal numbers and meat consumption have dropped in recent years.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1337.5-8.5	1367-8
Previous	1333-4	1361-2
High/low		1370/1357
AM Official	1333-4	1362.5-3
Kerb close		1365-7
Open int.	254,961	
Total daily turnover	48,038	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1350-60	1350-60
Previous	1342-5	1340-5
High/low		1365/1355
AM Official	1355-60	1350-5
Kerb close		1350-60
Open int.	N/A	
Total daily turnover	379	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	505-6	523-4
Previous	501-2	518-9
High/low		527/516
AM Official	498-8.5	516-6.5
Kerb close		522-3
Open int.	38,606	
Total daily turnover	4,487	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	6330-40	6320-30
Previous	6335-45	6425-30
High/low	6262	6355/6130
AM Official	6160-2	6250-5
Kerb close		6320-5
Open int.	57,837	
Total daily turnover	10,382	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5520-5	5600-5
Previous	5565-95	5660-5
High/low		5640/5590
AM Official	5510-5	5590-5
Kerb close		5600-5
Open int.	16,548	
Total daily turnover	3,068	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	957-8	983-4
Previous	952-3	986-7
High/low		984/972
AM Official	949-50	974-4.5
Kerb close		979-80
Open int.	104,684	
Total daily turnover	20,685	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2266-8	2266-8
Previous	2255-6	2264-5
High/low	2237/2237.5	2278/2235
AM Official	2236-8.5	2248-9
Kerb close		2267-8
Open int.	217,150	
Total daily turnover	55,006	

■ LME AM Official £/$ rate: 1.5115

LME Closing £/$ rate: 1.5120

Spot 1.5120 3 mths 1.5096 6 mths 1.5089 9 mths 1.5077

■ HIGH GRADE COPPER (COMEX)

	Day's change	High	Low	Open int	Vol
[illegible]					

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold (Troy oz)	$ price	£ equiv.
Close	387.00-388.00	
Opening	385.60-386.00	
Morning fix	386.25	255.71
Afternoon fix	387.60	256.38
Day's High	388.00-388.40	
Day's Low	385.00-385.40	
Previous close	385.50-385.90	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month ....4.04 6 months 4.46
2 months ....4.12 12 months 4.92
3 months 4.17

Silver Fix	p/troy oz.	US cts equiv.
Spot	363.60	549.50
3 months	368.50	555.60
6 months	372.95	561.95
1 year	383.90	577.35

Gold Coins	$ price	£ equiv.
Krugerrand	393-396	260-263
Maple Leaf	398.05-400.65	-
New Sovereign	91-94	60-63

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol
Jun	387.1	+2.4	388.2	385.2	-	-
Jul	388.4	+2.3	-	-	-	-
Aug	390.0	+2.3	391.4	389.0	-	-
Oct	393.1	+2.3	394.5	391.3	-	-
Dec	396.4	+2.3	397.8	394.6	-	-
Feb	399.9	+2.3	400.4	399.8	-	-
Total						

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	404.2	+4.3	404.5	401.0	-	-
Oct	406.6	+4.2	407.0	403.0	-	-
Jan	408.6	+4.2	409.0	407.5	-	-
Apr	410.6	+4.2	409.5	409.5	-	-
Total						

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol
Jun	135.35	+1.40	136.00	135.00	-	-
Sep	136.60	+1.35	136.75	135.25	-	-
Dec	135.85	+1.10	-	-	-	-
Mar	135.85	+1.10	-	-	-	-
Total						

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol
Jun	553.0	+7.6	-	-	-	-
Jul	555.9	+7.5	564.8	551.0	-	-
Aug	557.9	+7.5	-	-	-	-
Sep	560.0	+7.6	569.0	556.0	-	-
Dec	567.9	+7.7	577.0	559.0	-	-
Jan	568.6	+7.7	-	-	-	-
Total						

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
[illegible]						

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
[illegible]						

■ HEATING OIL NYMEX (42,000 US galls; c/US galls)

	Latest price	Day's change	High	Low	Open int	Vol
[illegible]						

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]						

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

	Latest price	Day's change	High	Low	Open int	Vol
[illegible]						

■ UNLEADED GASOLINE NYMEX (42,000 US galls; c/US galls)

	Latest price	Day's change	High	Low	Open int	Vol
[illegible]						

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jun	114.25	-0.25	114.50	114.50	578	13
Sep	99.20	-0.20	99.35	99.15	520	35
Nov	99.85	-0.10	99.95	99.85	1,870	1
Jan	101.80	-0.10	-	-	[illegible]	-
Mar	103.25	-0.10	-	-	[illegible]	-
May	105.10	-0.20	105.25	105.10	240	35
Total					[illegible]	[illegible]

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]						

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]						

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]						

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]						

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]						

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]						

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]						

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]						

Minor Metals: [illegible]

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
May	1027	+70	965	965	40	21
Jul	1027	+39	1037	990	20,503	2,612
Sep	1047	+40	1057	1011	18,782	2,824
[illegible]						

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]						

■ COCOA (ICCO) (SDR's/tonne)

[illegible]

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]						

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]						

■ COFFEE (ICO) (US cents/pound)

[illegible]

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

[illegible]

■ WHITE SUGAR LCE ($/tonne)

[illegible]

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

[illegible]

■ COTTON NYCE (50,000lbs; cents/lbs)

[illegible]

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

[illegible]

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

[illegible]

■ CRB Futures (Base: 4/9/56=100)

[illegible]

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jun	66.275	+0.800	66.450	65.800	20,366	4,723
Aug	65.750	-0.525	66.500	65.700	24,201	6,757
Oct	68.775	-0.175	69.450	68.850	12,987	3,089
[illegible]						

■ LIVE HOGS CME (40,000lbs; cents/lbs)

[illegible]

■ PORK BELLIES CME (40,000lbs; cents/lbs)

[illegible]

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME

[illegible]

■ COPPER (Grade A) LME

[illegible]

■ COFFEE LCE

[illegible]

■ COCOA LCE

[illegible]

■ BRENT CRUDE IPE

[illegible]

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Jul)

[illegible]

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

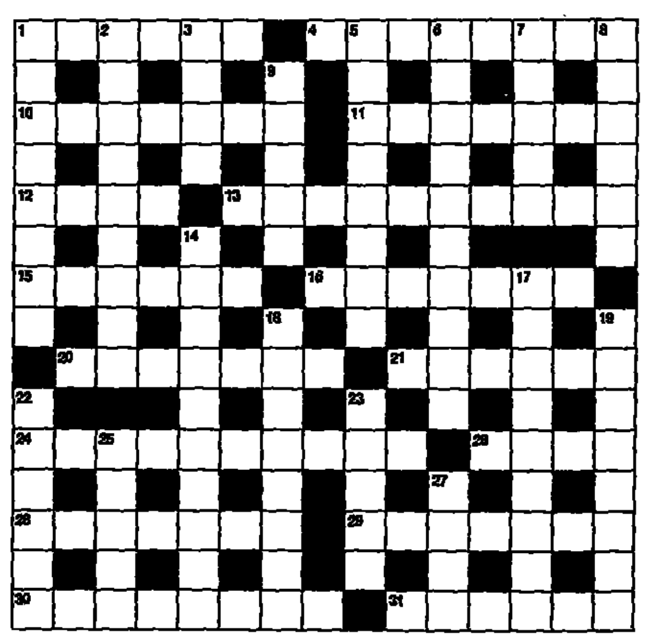
[illegible]

■ OTHER

[illegible]

CROSSWORD

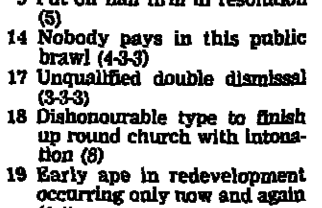
No.8,468 Set by QUARK



ACROSS
1 Attacker I dare to shake with bit of resolution (6)
4 By strength, necessarily (8)
10 Small shelter by lake for an exclusive group (7)
11 Listener to make a mistake? This will provide the cover-up (7)
12 Game? Not soft kind (4)
13 Show sort of decline around left bearing (10)
15 Sailor with a rod cast on ship (6)
16 List strangely not going round for last course? (7)
20 Quite a number cut a learner (7)
21 One holding drink shows firmness of resolve (6)
24 Shady character? (10)
26 It's a cert, backing certain numbers (4)
28 Account includes broken chair, old (7)
29 Settle down and write (7)
30 She's always taking people in (8)
31 Fish? Right one to be seen on ice (6)

DOWN
1 Method of travelling is a strain on the dramatist (8)
2 The person in knots and place inside (9)
3 Sort of linen provided in recruitment (4)
5 Dentist will (and possibly fill it!) (3-5)
6 Good degree relationship for an early success (5,5)
7 Way found underground, say (5)
8 Worn out? Iron for a pick-up on special occasion (6)
9 Put off half firm in resolution (5)
14 Nobody pays in this public brawl (4-3-3)
17 Unqualified double dismissal (3-3)
18 Dishonourable type to finish up round church with intonation (8)
19 Early ape in redevelopment occurring only now and again (4,4)
22 Some clear sign going up for the republic (6)
23 Stay in a piece of wood (5)
25 Most of clue an unusual word referring to a saint (5)
27 A tailless donkey in a frenzy (4)

Solution 8,467



JOTTER PAD

LONDON STOCK EXCHANGE

MARKET REPORT

Equities rally after early bond-induced setback

By Steve Thompson

A further bout of substantial weakness in international bond markets led to yet another turbulent trading session in UK equities yesterday, with share prices fighting off waves of futures-induced weakness to finish marginally higher on balance.

At the close of a difficult trading session, the FT-SE 100 Index was 4.1 firmer at 2,970.5. The final reading masked big swings in sentiment across international markets still beset by worries about inflation pressures and rising interest rates.

The latest slide in bond prices followed in the wake of the cancellation of a June bund issue in Germany, hard on the heels of last week's cancelled bund auction. The news stunned European bond and equity markets, which were looking to open in good order after relatively steady performances during the closure of US and London markets on Monday and after the heavy losses in markets last week.

Adding to the UK market's discomfort was a report published by National Westminster, the UK clearing bank, which forecast a rise in UK interest rates to 5.75 per cent by the end of this year and to 6.75 per cent by mid-1995. And sentiment was also affected by news that provisional M0 money supply in the UK rose by more than 7 per cent last month.

There were few signs of selling pressure when London marketmakers opened their books for trading. Share prices were marked higher, reflecting the relatively good performances from European bourses over the holiday period and the encouraging move by the Tokyo market to a 1994 high.

Account Dealing Dates		
*First Dealings:		
May 16	Jun 6	Jun 20
Option Declarations:		
Jun 2	Jun 16	Jun 30
Last Dealings:		
Jun 3	Jun 17	Jul 1
Account Day:		
Jun 13	Jun 27	Jul 11

*New time dealings may take place from two business days earlier.

The FT-SE 100 kicked off 10 points ahead at 2,976.4, seemingly in good heart. Within five minutes, however, share prices were on the slide, upset by rapidly falling bunds and gilts as the news of the cancelled German bund issue became known. Plunging bonds – the German long bund was up ⅛ for around five minutes before dropping like a stone – were the trigger for another large-scale sell-off in the Footsie future, which fell to a discount of some 30 points shortly after trading began.

There was very little evidence of actual selling in the cash market, where marketmakers were obliged to chop their dealing prices as the future continued to give way. At its worst, in mid-morning, the FT-SE 100 was down 41.4 at 2,925.0.

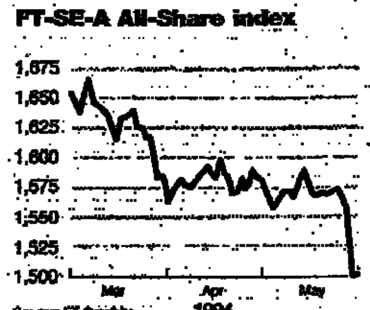
It then embarked on a sustained recovery, helped, dealers said, by a substantial trading programme across the range of leading stocks. It included heavy buy trades in stocks such as Cable and Wireless, Coats Viyella, GEC, Ladbroke, Rolls-Royce, Sears, Smith & Nephew, Tesco and Thorn EMI.

With Wall Street opening only modestly easier – it moved into positive territory shortly after London closed – the UK market stabilised and began to rally in the wake of hurried bear closing.

Senior dealers remained extremely nervous about the market's ability to rally further. "The German bund looks sickly and will take gilts with it; I am not convinced we'll be able to make worthwhile progress until the European elections are out of the way and bonds are much more stable," was the view of the head of marketmaking at a leading UK investment bank. Others took the view that last week's 5 per cent retreat was far enough and discounted much of the potential bad news.

Turnover was a low 505.2m shares. Customer business value on Friday, when the market came under severe pressure, was £1.08bn.

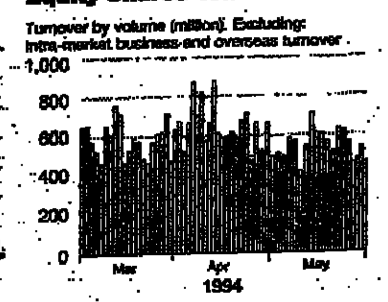
FT-SE-A All-Share index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



■ Key Indicators

Indices and ratios

FT-SE 100	2970.5	+4.1	FT Ordinary Index	2354.40	+7.30
FT-SE Mid 250	3564.3	-8.0	FT-SE-A Non Fins p/e	19.24	(19.31)
FT-SE-A 350	1506.7	+0.3	FT-SE 100 Fut Jun	2959.0	+19.0
FT-SE-A All-Share	1501.22	+0.36	10 yr Gilt yield	8.77	(8.52)
FT-SE-A All-Share yield	3.91	(3.91)	Long gilt/equity yld ratio:	2.27	(2.21)

Best performing sectors

1 Transport ... +1.6
2 Insurance ... +1.2
3 Engineering, Vehicles ... +1.0
4 Printing, Paper & Pckg ... +0.9
5 Textiles & Apparel ... +0.5

Worst performing sectors

1 Gas Distribution ... -1.8
2 Other Financial ... -0.8
3 Electricity ... -0.7
4 Merchant Banks ... -0.6
5 Media ... -0.5

BA firm on Orly opening

Shares in British Airways were strong, closing 8 ahead at 378p, with the day's trading boosted by a broker's recommendation and news that France had agreed to open its Orly airport to UK airlines.

France had previously resisted a European Union directive to open the lucrative London to Orly route, a move which nearly provoked a confrontation with the UK.

The recommendation came from long-time bull Strauss Turnbull, which said: "The stock is a good recovery play. The yield is attractive and the rating undemanding. Also, British Airways is well positioned to take advantage of European deregulation."

Full-year profits of £301m reported last week were at the top end of expectations and saw the stock return to favour after a sustained period of weakness.

Transport analyst Mr Nick Cunningham at Strauss predicts profits for the current year will jump by nearly 50 per cent to £450m.

De La Rue rises

Printing group De La Rue was one of the few shades of blue on dealers' screens in early trading after turning in a solid set of full-year results.

Underlying profits jumped 20 per cent to £123.3m, with analysts moving their forecasts for the current year by around 8 per cent to a range of £133m to 140m. The shares strengthened to close 16 up at 859p on 1.4m traded.

Speculation over how the company intends to spend its cash pile, particularly in the wake of the failed talks with Portals, was prominent among dealers, although they added that criticism over De La Rue's handling of the affair had adversely affected City opinion. Portals' shares continued to suffer from the fallout of the aborted merger talks, dropping a further 10 to 643p.

Insurers bought

A weighty note from BZW highlighting the fundamental valuation story drove shares in the composite insurance sector forward.

The detailed piece of research, published annually, includes alternative valuation models of normalised earnings and projected total returns in an attempt to highlight the relative long term attractions of the stocks in the sector.

Analysts Mr Trevor May and Mr Andrew Pitt at the investment bank conclude: "Although there are disparities in the relative company ratings, we now consider that the sector as a whole is cheap and rate all five composites a buy."

BZW was particularly keen on Royal Insurance, which it said was fundamentally undervalued. The shares surged 8 ahead to 242p in trade of 2.5m, while Commercial Union hardened a penny to 525p.

The broker promoted Sun Alliance and General Accident to its buy list. The former firmed 6 to 293p, on volume of 2.6m, after BZW said it stands to reap returns from record 1994 underwriting margins; while the latter jumped 13 to 554p as the analysts pointed to its yield attractions.

Shares in engineering group Siebe moved sharply forward ahead of today's figures, as analyst Mr Paul Compton at Credit Lyonnais Laing took the stock off the sell list. The stock closed 21 ahead at 556p, with Kleinwort Benson, the group's broker, also reported to have been recommending the shares.

Reports of a sign of an improvement in European car sales boosted GKN, a leading components manufacturer and supplier to several car makers. The shares gained 15 at 584p.

News of a £93m contract for its Balfour Beatty subsidiary lifted BICC and the shares finished 3½ firmer at 418p.

A profits warning from Hall Engineering saw the shares tumble 71 to 169p, to make it the day's worst performing stock. The company said 1994 profits would be worse than the previous year's because of a postponed contract and pressures on steel margins. Hall reported a sharp increase in profits last year from £2.36m to £8.56m.

British Steel eased a penny to 135p, with Nomura said to have urged investors to sell the stock. Reports that engineering group FKI had abandoned plans for a £400m US acquisition cheered the market. The shares put on 2 at 182p.

Kingfisher weakened ahead of the company's agm today, with a variety of concerns exercising dealers' minds.

Worries that trading at B&Q, the home improvement business, had not picked up, and that Woolworth would prove disappointing, were being dismissed by the stock's supporters. However, even they were admitting to hoping for some calming words today – which are likely to be accompanied by a more detailed sales picture than normal – to steady the recently volatile share price. Yesterday it closed 6 down at 543p.

UBS was reported to have increased its Next profits forecast, the shares edging up a penny to 238p. Negative weekend press comment on Body Shop was said to have contributed to a fall of 4½ to 235½p.

Discount supermarket group Shoprite was the best performing stock in the market as the shares jumped 10 per cent, with bargain hunters moving in following last week's profits warning, which saw the stock virtually halve in value. The shares added 9 to 89p.

Hotel group Forte gained 3½ to 229p with traders citing recent institutional presentations, last week's positive agm and lingering hopes that the bid for French chain Merdien will be successful. Weekend press reports over plans to link up with the Savoy Group were dismissed as well known within the market. Savoy shares dropped 5 to 1020p.

In a quiet drinks sector, Bass proved to be the highlight, the shares climbing 10 to 518p, with Warburg reported positive.

Among telecoms stocks, Vodafone was a strong feature with US buying combining with positive sentiment among UK analysts over the upcoming subscriber figures for May. The shares gained 11 to 530p on moderate turnover of 2.2m.

The regional electricity companies rode along with the volatilities in the bond market, ending a weak session well below the market. Eastern slid 6 to 588p, London 6 to 564p and Midlands 10 to 595p.

Shares in Beazer Homes slipped 2 to 154p after announcing interim results largely in line with market forecasts. The company was floated by Hanson with a price tag of 165p in March.

The announcement of an oil discovery in Colombia by bid target Lasmo left the market unimpressed. The shares eased 3 to 145p, on volume of 2.6m, on the first closing day of Enterprise Oil's bid.

MARKET REPORTERS:
Christopher Price,
Joel Kibazo.

■ Other statistics, Page 23

NEW HIGHS AND LOWS FOR 1994

NEW HIGHS (23).
BANKS (3) BUILDING & CNSTRN (1) Sindall (Wm), DIVERSIFIED INDLS (2) ELECTRNC & ELECT EQUP (3) ENGINEERING (1) Kobe Steel, EXTRACTIVE INDS (1) INVESTMENT TRUSTS (1) INVESTMENT COMPANIES (2) OIL EXPLORATION & PROD (1) PRTNG, PAPER & PACKG (1) Unit Group, PROPERTY (2) Helical Bar, Rowlinson, RETAILERS, FOOD (1) Greggs, SPIRITS, WINES & CIDERS (1) Macdonald Martin A, AMERICANS (2) SOUTH AFRICANS (1).
NEW LOWS (406).
GILTS (70) OTHER FIXED INTEREST (2) BANKS (5) BREWERIES (1) Greenalls, BUILDING & CNSTRN (7) AMEC, Do 6½p Prf., Amco, Barratt Devlpt., Laing A, Persimmon, Wilson Bowden, BLDG MATLS & MCHTS (13) CHEMICALS (1) Cementone, DISTRIBUTORS (5) Bridgend, Enterprise Cmptr., Fife Indmar, Gardiner, Inchcape, DIVERSIFIED INDLS (11) ELECTRICITY (1) PowerGen, ELECTRNC & ELECT EQUP (4) BICC Cap. 10¾pc '20, Johnson Electric, Kenwood Appliances, Tunstall, ENGINEERING (18) EXTRACTIVE INDS (2) FOOD MANUF (8) Assoc. Brit., Cadbury Schweppes, Dalgety, Dewe Intl., United Biscuits, GAS DISTRIBUTION (1) British Gas, HEALTH CARE (4) Amersham Int'l., Life Sciences Int'l., Midland Assets, Shield Diagnostics, HOUSEHOLD GOODS (6) INSURANCE (9) INVESTMENT TRUSTS (145) INVESTMENT COMPANIES (6) LEISURE & HOTELS (4) LIFE ASSURANCE (3) Lloyds Abbey Life, London & Manchester, Prudential, MEDIA (5) MERCHANT BANKS (3) OIL EXPLORATION & PROD (1) Aminex, OTHER FINANCIAL (7) BZW Endowment Fund, Gartmore, Henderson Admn., M. & G., Provident Financial, Rathbone Bros., Secure Trust, OTHER SERVS & BUSNS (2) Cape Range, Rodime, PHARMACEUTICALS (3) Chiroscience, Glaxo, Zeneca, PRTNG, PAPER & PACKG (7) PROPERTY (25) RETAILERS, FOOD (3) ASDA, Iceland, Kwik Save, RETAILERS, GENERAL (8) SUPPORT SERVS (3) Caplin, Macro 4, Rentokil, TELECOMMUNICATIONS (2) TEXTILES & APPAREL (4) British Mohair, Coats Viyella, Richards, Stirling, TOBACCO (3) TRANSPORT (4) WATER (2) AMERICANS (2) CANADIANS (3).

EQUITY FUTURES AND OPTIONS TRADING

Stock index futures came under renewed selling pressure, taking their cue from international bond markets, *writes Steve Thompson.*

A steady opening at 2,941 by the June contract on the FT-SE 100 quickly gave way as big sellers moved into the market. This followed a slide in German bunds and UK gilts after news that the Bundesbank had withdrawn the bund issue scheduled for this month.

With selling pressure building up during the mid-morning period, June fell sharply to trade at a discount of 30 points to the cash market, reaching a low point of 2,901 around lunchtime. This level triggered substantial bear closing and a squeeze developed. June was subsequently driven up to a closing level of 2,959, a discount of 14.5 points to the cash market, with sentiment helped by a better than expected opening on Wall Street.

Dealers described the market as extremely nervous and driven by worries of increasing inflation in the US and the UK. Turnover in the June Footsie future reached a heavy 21,246 contracts.

Traded options were dominated by the FT-SE 100 and Euro-FT-SE contracts, which together accounted for 26,019 trades out of a total turnover of 38,302 lots. J. Sainsbury was the most heavily traded stock option.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	2941.0	2959.0	+19.0	2963.0	2901.0	21246	52144
Sep	2960.0	2971.5	+18.5	2967.5	2912.5	2039	7983
Dec	-	2981.5	+17.5	-	-	0	251

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	3540.0	3545.0	+2.0	3545.0	3480.0	107	3746
Sep		3560.0	+2.0			0	908

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun		3540.0	-	-	-	-	771

All open interest figures are for previous day. † Exact volume shown.

■ FT-SE 100 INDEX OPTION (LIFFE) (*2969) £10 per full index point

[illegible]

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

[illegible]

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

[illegible]

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
ASDA Group†	3,400	52½	-1¼
Abbey National†	3,900	381	+8
Albert Fisher	1,100	54	+2
Allied-Lyons†	1,400	578	-2
Anglian Water	243	470	+8
Argos	872	358	+1
Argyll Group†	2,800	237	-2
Arjo Wiggins†	2,300	274	+3
[illegible]	[illegible]	[illegible]	[illegible]

FT-SE Actuaries Share Indices — The UK Series

[illegible]

■ FT-SE Actuaries All-Share

[illegible]

■ Hourly movements

[illegible]

■ FT-SE Actuaries 350 Industry baskets

[illegible]

LONDON EQUITIES

LIFFE EQUITY OPTIONS

Option		Calls Jul	Oct	Jan	Puts Jul	Oct	Jan
Allied-Lyons	540	42	48	-	9	19	-
(*578)	580	11½	23½	-	35½	45	-
Argyll	220	21	24	28	7	11½	16
(*237)	240	7	13½	18	18½	22½	27
[illegible]							

Option		Calls Aug	Nov	Feb	Puts Aug	Nov	Feb
Hanson	240	18½	22½	25½	5	9½	13
(*254)	260	8	13	16	15	20	23
Lasmo	134	19	23½	-	7	9½	-
(*145)	154	7	12	-	16	19	-
[illegible]							

FT GOLD MINES INDEX

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	0	65	7
Other Fixed Interest	0	3	12
Mineral Extraction	51	81	69
General Manufacturers	78	225	363
Consumer Goods	21	62	108
Services	53	161	298
Utilities	10	25	11
Financials	38	185	173
Investment Trusts	54	228	188
Others	32	65	30
Totals	335	1,080	1259

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

First Dealings	May 23	Last Declarations	Sept. 1
Last Dealings	June 10	For settlement	Sept. 12

Calls: AMEC, Asda, Devt. Secs., Microfocus, Tadpole Tech., Tullow Oil. Puts: City of Oxford IT, Dartmoor Inv. Tst. Puts & Calls: Hanson Wts., Natl. Home Lns.

LONDON RECENT ISSUES: EQUITIES

[illegible]

RIGHTS OFFERS

[illegible]

FINANCIAL TIMES EQUITY INDICES

[illegible]

Ordinary Share hourly changes

[illegible]

BANKS

	Notes	Price	+ or -	1994 high	low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl		£21¼	-⅛	£25½	£21¼	6,319	5.2	φ
ANZ A$		208¼	+2½	278¼	207¼	2,789	4.3	18.5
Abbey National	N□	391	+6	523	381	5,129	4.5	13.1
Allied Irish I£	♣N□	243	—	314	241	1,601	5.2	9.3
Anglo Irish I£	N□	51	—	70	51	178.5	8.7	9.1
Asahi Y		738½	-16	781¼	628	17,182	0.8	φ
Banco Bil Viz Pta		£15⅞	-⅛	£16⅞	£14⅛	3,686	5.2	7.2
Banco Sant Pta		£30⅞	—	£34¼	£29⅞	3,389	4.5	φ
Bk Ireland I£	♣□	258xd	—	*319	246	1,208	4.9	φ
Bank Scotland	♣N□	178xd	+1½	247	172½	2,050	3.6	14.4
9¼pc Pf		115¾xd	-1½	141½	115¼	116.2	10.0	-
9¾pc Pf		120½xd	-1½	148½	130½	120.5	10.7	-
Barclays	♣N□	505	-7	640	487	8,216	3.8	20.9
Dai Ichi Kan Y		£12⅞	-⅛	£12⅞	£10⅞	39,544	0.4	70.1
Deutsche DM		£297⅞	+2¾	£344¼	£294½	14,146	2.0	-
Espirito Santo		£19⅞	-⅛	£25⅞	£18¼	209.9	4.1	4.7
First Nat Fin	N□	73	-1	*90	60	121.0	2.8	-
6.3pc Cv Pf		83	—	*90	77	6.58	9.5	-
7pc Cv Pf		145	—	171	123	68.8	6.0	-
Fuji Bank Y		1529½	-19¾	1649¼	1152½	44,289	0.4	φ
HSBC HK	N□	753	+5	1133	687	13,222	3.9	13.0
HSBC (75p Shs)	N□	729xd	+2	1113	669	6,142	4.0	12.5
Lloyds	N□	536	-5	660	532	6,914	5.2	11.3
Mitsubishi Y		£17⅞	-⅛	£18⅞	£15⅝	61,065	0.3	φ
Mits Tst & Bk Y		1069¼	+33¼	1071¼	687½	13,910	0.5	17.1
Mitsui Tst & Bk Y		837½	+37½	841¼	514	10,034	0.8	29.5
Nat Aust A$	†	570¼	—	620¼	537¼	7,886	4.2	13.7
NatWest	N□	427	—	622	425	7,105	5.4	9.7
Ottomane FFr		£23½	—	£33	£23½	117.5	6.2	φ
Ryl Bk Scotland	♣†N□	410xd	—	528	382½	3,267	3.7	18.5
Sakura Y		£9⅞	-⅛	£9⅞	£8⅛	31,009	0.6	58.4
Sanwa Y		£14⅞	-⅛	£15⅞	£11⅞	41,892	0.4	φ
Standard Chartd	N□	240xd	+9	*358¼	223	2,306	3.1	10.5
7 3/8pc Prf		90¼	-1¼	108½	90	90.2	10.2	-
Sumitomo Y		£14⅛	-⅛	£16¼	£11½	44,587	0.4	30.6
Sumitomo Tst Y		1052½	+42¾	1054	625	13,089	0.5	φ
TSB	N□	297	+½	291	205	3,167	4.8	14.1
Tokai Y		£8⅞	-⅛	£8⅞	£6⅞	17,852	0.6	58.2
Toyo Tst & Bk Y		774¼	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD MANUFACTURERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

SOUTH AFRICANS

	Notes	Price	+ or –	1994 high	1994 low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£26½	—	£26½	£13½	1,682	2.8	19.4
Barlow		£5⅛	—	£5 [illegible]	£3 [illegible]	1,006	6.4	9.3
Gold Flds Prop R		101	—	105	76	10.3	9.9	9.0
NK Props	s	90	—	95	87	3.82	9.9	37.0
SASOL	♥	339	+2	382	280	1,921	4.6	–
SA Brews		£13[illegible]xd	+ [illegible]	£15 [illegible]	£10	7,427	2.0	22.7
Tiger Oats	†	868	—	838	538	1,033	2.3	14.4
Tongaat-Hulett	†	882	+15	882	434	495.5	2.3	18.5

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm –) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- • Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ✱ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially UK listed; dealings permitted under Rule 535(2)
- ‡ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♦ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other offical estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
F Yield based on prospectus or other offical estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other offical estimates for 1993.
K Yield based on prospectus or other offical estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other offical estimates for 1993-94.
N Figures based on IMR 'Headline Earnings'
P Figures based on prospectus or other offical estimates for 1994.
R Forecast annualise yield, p/e based on prospectus or other offical estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xt ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

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FT Cityline

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An international service is available for callers outside the UK, annual subscription £250 stg.

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FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♠) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♣) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Thornton Unit Managers Ltd (1200)F

[illegible]

Waverley Unit Tst Mngmt Ltd (1200)F

13 Charlotte Sq, Edinburgh 031-225 1551

[illegible]

Whittingdale Unit Tst Mngmt Ltd (0830)F

2 Honey Lane, London EC2V 8BT 071-600 0402

[illegible]

OTHER UK UNIT TRUSTS

[illegible]

INSURANCES

[illegible]

Abbey Life Assurance Co Ltd

80 Holdenhurst Road, Bournemouth 0202 292373

	Bid Price	Offer Price	+ or -	Yield Gross
Prop. Ser. 1	284.5	[illegible]	–	–
Equity Ser. 1	[illegible]	[illegible]	-1.9	–
Prop. Acc. Ser 2	[illegible]	[illegible]	–	–
Equity Ser 2	[illegible]	217.8	[illegible]	–
Selective Acc. Ser 2	[illegible]	[illegible]	-4.5	–
Prop. Ser. 4	404.8	[illegible]	–	–
Equity Ser. 4	201.8	212.6	-1.3	–
Man. Ser. 4	[illegible]	[illegible]	-2.0	–
Fixed Int. Ser. 4	[illegible]	[illegible]	[illegible]	–
Indexed Inv. Ser. 4	201.9	212.6	-2.9	–
American Ser. 4	[illegible]	[illegible]	+0.2	–
Japan Ser 4	[illegible]	[illegible]	+4.2	–
European Ser 4	167.4	176.4	-2.1	–
High Inc. Ser. 4	[illegible]	[illegible]	[illegible]	–
Money Ser. 4	[illegible]	[illegible]	[illegible]	–
Gilt Ser. 4	[illegible]	[illegible]	[illegible]	–
Conv. Ser. 4	170.8	179.8	-1.1	–
Asian Pacific	[illegible]	[illegible]	[illegible]	–
Ethical	[illegible]	[illegible]	[illegible]	–
Protected Growth	110.4	116.3	-0.1	–
Pension Funds				
Property	789.6	831.2	–	–
Equity	1573.6	[illegible]	[illegible]	–
Selective	891.4	[illegible]	[illegible]	–
Managed	1370.4	[illegible]	-7.0	–
Security	[illegible]	745.6	+0.4	–
Fixed Int.	421.6	[illegible]	[illegible]	–
Indexed	[illegible]	[illegible]	[illegible]	–
American	[illegible]	[illegible]	[illegible]	–
Japan	[illegible]	[illegible]	[illegible]	–
European	[illegible]	[illegible]	[illegible]	–
High Income	[illegible]	[illegible]	-4.7	–
Ethical	[illegible]	[illegible]	[illegible]	–
International	[illegible]	[illegible]	[illegible]	–
Protected Growth	124.0	131.2	–	–
Asian Pacific	[illegible]	[illegible]	-0.3	–

Abbey National Life Plc

237 St Vincent Street, Glasgow 041 305 8000

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	111.3	117.2	-0.1	–
UK Equity	[illegible]	[illegible]	+0.1	–
International	[illegible]	[illegible]	+0.1	–
Deposit	100.9	[illegible]	–	–
Pension Managed	111.6	117.5	-0.4	–
Pension UK Equity	[illegible]	[illegible]	-0.2	–
Pension International	124.4	131.0	-0.3	–
Pension Deposit	100.1	[illegible]	–	–

Aetna Life Assurance Ltd

42 Southwark Bridge Road, London SE1 9HE 071 930 3499

[illegible]

[illegible]

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Scottish Equitable plc - Contd.

Scottish Life Investments

19 St Andrew Square, Edinburgh 031-225 2211

Sun Alliance Group - Contd.

Allied Dunbar International Assce Ltd

CMI Insurance Co Ltd

MANAGEMENT SERVICES

OFFSHORE INSURANCES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

IRELAND (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

FT MANAGED FUNDS SERVICE

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The Portugal Fund Limited

Royal Bank of Canada Intl Fd Mgt Ltd

Royal Bk of Scotland Fd Mngrs (Jersey) Ltd

Schroder Mngt Services (Jersey) Ltd

Scimitar Kemp-Gee Mngmt., Jersey

TSB Trust Funds (CI)

Warburg Asset Management Jersey Ltd

Worldinvest (Managers) Jersey Ltd

LUXEMBOURG (SIB RECOGNISED)

Fleming Group (u)

Foreign & Colonial Emerging Markets Ltd (u)

Frontrunner I (u)

Gartmore Luxembourg SA (u)

HSBC Investment Funds Luxembourg SA (u)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES AND MONEY

MARKETS REPORT

Currencies subdued

Foreign exchanges took a backseat yesterday with market attention focused on the weakness in UK and German interest rate markets, *writes Philip Gawith.*

The focus of activity was the short sterling futures, where a combination of factors caused prices, especially in the longer contracts, to fall sharply.

Elsewhere, the dollar had a quiet day with the market constrained from selling the US currency, following weak economic data, by fears of central bank intervention. It finished in London at DM1.6435 from DM1.6444 against the D-Mark. Against the yen it closed at Y104.655 from Y104.400.

The D-Mark had a mixed day in Europe, while the sterling index closed at 80 after finishing on Friday at 79.8.

■ The bearish performance of the futures markets, particularly short sterling, laid further to rest any recent optimism that sentiment in the market might have turned. The December contract closed at 93.59, 19 basis points down on the Friday close. Most of the longer contracts were off by more than 25 basis points.

Mr Richard Phillips, analyst at brokers GNI, described the market as a "bloodbath", with lots of distress selling. The volumes were not especially large – the December contract traded nearly 34,000 lots – but prices moved a lot.

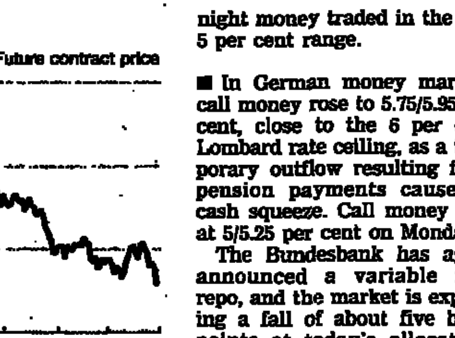
Weakness in eurosterling was a spillover from bearish sentiment in the gilts market. Traders cited a number of factors as contributing to this: weekend newspaper reports that the Treasury had revised up its growth forecast for 1994 to 3 per cent; rumours about a rise in the pricing component of the May purchasing managers's survey; and the M0 measure of money supply growing by 7.1 per cent in the year to May, compared to a government range of 0-4 per cent.

Traders said investors were also clearing up end of month positions and this contributed to price movements.

Movement in the futures market was not reflected in the cash markets, with 3-month interbank sterling quoted at 5 1/16-5 3/16 from 5 1/4-5 1/8 last Friday.

Sterling

December'94, Future contract price



Source: FT Graphite

■ **Pound in New York**

May 31	Latest	Prev. close
£ spot	1.5110	1.5105
1 mth	1.5100	1.5097
3 mth	1.5075	1.5083
1 yr	1.5044	1.5052

Mr Phillips said the failure of traders to arbitrage the markets suggested either that they were nursing heavy losses, or that their attention was elsewhere. In this regard, he said the hedge funds, previously very active in these markets, had recently been "noticeable by their absence."

Mr Tony Norfield, UK treasury economist at ABN-AMRO, said the weakness in interest rate markets seemed to be related to the recent trend of hedge fund investment in commodity markets. This triggered a rise in commodity prices, which then fed over into the sale of bond futures as markets expressed concern that higher commodity prices meant higher inflation in future.

■ Sterling had an uneventful day, closing at DM2.4846 against the D-Mark from DM2.4806. Against the dollar, it closed at $1.5118 from $1.5086. Mr Norfield said the interest rates discounted in the futures markets increasingly favoured sterling and this was supporting the UK currency.

The December contracts, for example, project UK 3-month money to be 128 basis points above German money by the end of the year. By December 1995 that gap has jumped to 251 basis points.

In the UK money markets, the Bank of England provided £771m assistance after forecasting a £750m shortage. Overnight money traded in the 3 to 5 per cent range.

■ In German money markets call money rose to 5.75/5.95 per cent, close to the 6 per cent Lombard rate ceiling, as a temporary outflow resulting from pension payments caused a cash squeeze. Call money was at 5/5.25 per cent on Monday.

The Bundesbank has again announced a variable rate repo, and the market is expecting a fall of about five basis points at today's allocation, from 5.20 per cent.

■ The dollar had a quiet day, unmoved by a weaker than expected set of economic data. Among the figures released, April personal consumption expenditure fell by 0.1 per cent, consumer confidence fell to 87.6 in May while new single-family home sales fell in April by 6.8 per cent.

Commenting on the data, Mr Brian Martin, senior economist at Citibank, said: "What we are seeing is the pace of economic growth slowing in response to tax increases and a rise in long-term interest rates since last October." Most analysts believe the market would like to take the dollar lower, but is wary of the central banks.

Mr Mark Geddes, treasury economist at Midland Global Markets, said that for intervention to have a significant and sustainable effect, "the market will need to be short of dollars, which currently does not appear to be the case."

■ The two weak currencies of Europe, the Greek drachma and the Portuguese escudo, both had quieter days. The escudo closed at Es 103.7 from Es104. The drachma was fixed at Dr148.100 against the D-Mark from Dr147.970 at the previous fix.

The D-Mark closed at FFr3.419 from FFr3.417 against the French franc. Against the lira, it closed at L968.2 from L967.4.

■ **OTHER CURRENCIES**

May 31	£	$
Hungary	155.296 - 155.519	102.750 - 102.850
Iran	2635.00 - 2641.00	1748.00 - 1750.00
Kuwait	0.4495 - 0.4505	0.2974 - 0.2979
Poland	33900.7 - 33961.7	22430.0 - 22460.0
Russia	2895.10 - 2901.14	1915.00 - 1919.00
U.A.E.	5.5453 - 5.5588	3.6715 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

May 31		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.4796	+0.0149	718 - 874	17.4874	17.4244	17.4756	0.3	17.4702	0.2	-	-	114.2
Belgium	(BFr)	51.0850	-0.0442	521 - 196	51.1760	50.9300	51.1009	-0.4	51.1109	-0.2	50.9509	0.3	115.4
Denmark	(DKr)	9.7496	+0.0251	437 - 535	9.7535	9.7106	9.7564	-1.0	9.7691	-0.8	9.7701	-0.2	115.5
Finland	(FM)	8.2230	+0.029	148 - 332	8.2332	8.1810	-	-	-	-	-	-	81.0
France	(FFr)	8.4953	+0.0033	910 - 995	8.4995	8.4722	8.4996	-0.6	8.5039	-0.4	8.4718	0.3	108.6
Germany	(DM)	2.4846	+0.0003	831 - 859	2.4917	2.4768	2.485	-0.2	2.4851	-0.1	2.4657	0.8	124.1
Greece	(Dr)	366.146	-1.634	305 - 987	367.504	364.761	-	-	-	-	-	-	-
Ireland	(I£)	1.0220	+0.0022	210 - 229	1.0229	1.0170	1.0226	-0.6	1.0237	-0.7	1.0253	-0.3	104.1
Italy	(L)	2405.95	+5.86	464 - 726	2409.17	2398.86	2411.55	-2.8	2421	-2.5	2452.95	-1.9	77.9
Luxembourg	(LFr)	51.0850	-0.0442	521 - 196	51.1760	50.9300	51.1009	-0.4	51.1109	-0.2	50.9509	0.3	115.4
Netherlands	(Fl)	2.7867	+0.0013	857 - 877	2.7985	2.7785	2.7864	0.1	2.7872	-0.1	2.7648	0.8	118.2
Norway	(NKr)	10.7812	+0.0188	760 - 863	10.7900	10.7355	10.7755	0.6	10.7861	-0.3	10.7792	0.0	86.8
Portugal	(Es)	257.830	-0.884	543 - 116	258.899	256.069	258.805	-4.5	260.75	-4.5	-	-	95.1
Spain	(Pta)	204.956	+0.381	870 - 041	205.041	204.243	205.491	-3.6	206.341	-2.7	208.846	-1.9	88.1
Sweden	(SKr)	11.7816	+0.0824	732 - 900	11.7900	11.6879	11.8048	-2.3	11.8396	-2.0	11.9378	-1.3	75.8
Switzerland	(SFr)	2.1203	-0.0001	190 - 215	2.1215	2.1108	2.1188	0.8	2.1151	1.0	2.0862	1.6	117.7
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	80.0
Ecu	-	1.2903	+0.0007	900 - 917	1.2917	1.2876	1.2925	-1.5	1.2881	0.9	1.2873	0.3	-
SDR†	-	0.938124	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5090	+0.0013	083 - 094	1.5096	1.5045	-	-	-	-	-	-	-
Brazil	(Cr)	2834.98	+32.35	425 - 571	2837.00	2780.00	-	-	-	-	-	-	-
Canada	(C$)	2.0960	+0.0054	951 - 968	2.0973	2.0882	2.0978	-1.0	2.1015	-1.0	2.1201	-1.1	86.5
Mexico	(New Peso)	5.0238	+0.0177	148 - 323	5.0323	5.0185	-	-	-	-	-	-	-
USA	($)	1.5118	+0.0028	114 - 121	1.5126	1.5075	1.511	0.6	1.5094	0.6	1.5065	0.4	65.3
Pacific/Middle East/Africa													
Australia	(A$)	2.0478	-0.0089	466 - 489	2.0543	2.0454	2.0471	0.4	2.0455	0.4	2.0445	0.2	-
Hong Kong	(HK$)	11.6798	+0.0205	763 - 832	11.6867	11.6465	11.6717	0.8	11.6678	0.4	11.6846	-0.1	-
India	(Rs)	47.4236	+0.0796	096 - 384	47.4530	47.2980	-	-	-	-	-	-	-
Japan	(Y)	158.213	-0.356	138 - 287	158.100	157.400	157.793	3.2	157.003	3.1	152.636	3.4	183.8
Malaysia	(M$)	3.8991	+0.0024	974 - 008	3.9166	3.8867	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.5427	-0.0193	410 - 443	2.5548	2.5374	2.542	0.3	2.5456	-0.4	2.5521	-0.4	-
Philippines	(Peso)	40.6862	+0.0889	544 - 779	40.9779	40.3544	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.6694	+0.0098	678 - 710	5.6732	5.6536	-	-	-	-	-	-	-
Singapore	(S$)	2.3178	+0.0038	165 - 191	2.3191	2.3110	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.4885	+0.0008	834 - 935	5.4936	5.4828	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	7.1809	+0.0049	565 - 052	7.2052	7.1673	-	-	-	-	-	-	-
South Korea	(Won)	1218.32	+1.87	786 - 875	1219.01	1215.20	-	-	-	-	-	-	-
Taiwan	(T$)	40.9304	+0.0778	834 - 174	40.9200	40.6200	-	-	-	-	-	-	-
Thailand	(Bt)	38.0961	+0.073	722 - 200	38.1200	38.0040	-	-	-	-	-	-	-

†SDR rate for May 27. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

May 31		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan Index
Europe													
Austria	(Sch)	11.5625	-0.01	600 - 650	11.5775	11.5345	11.57	-0.8	11.5735	-0.4	11.4983	0.6	-
Belgium	(BFr)	33.7925	-0.0875	780 - 070	33.8600	33.7550	33.8225	-1.1	33.8675	-0.9	33.6325	0.5	-
Denmark	(DKr)	6.4486	+0.0056	466 - 503	6.4503	6.4314	6.4578	-1.7	6.4716	-1.4	6.4866	-0.6	-
Finland	(FM)	5.4400	+0.0009	351 - 449	5.4449	5.4211	5.444	-0.9	5.4525	-0.9	5.4685	-0.5	-
France	(FFr)	5.6195	-0.0075	180 - 210	5.6285	5.6090	5.6257	-1.3	5.6345	-1.1	5.6078	0.2	-
Germany	(DM)	1.6435	-0.0031	430 - 440	1.6487	1.6395	1.6447	-0.9	1.6458	-0.6	1.636	0.5	-
Greece	(Dr)	242.200	-1.5	700 - 700	243.300	241.500	243.55	-6.7	244.4	-3.6	246.7	-1.9	-
Ireland	(I£)	1.4793	-0.0006	782 - 803	1.4852	1.4782	1.4778	1.3	1.4747	1.2	1.4682	0.8	-
Italy	(L)	1591.50	+1	100 - 200	1596.50	1587.88	1595.95	-3.4	1604	-3.1	1630	-2.4	-
Luxembourg	(LFr)	33.7925	-0.0875	780 - 070	33.8600	33.7550	33.8225	-1.1	33.8675	-0.9	33.6325	0.5	-
Netherlands	(Fl)	1.8434	-0.0023	431 - 436	1.8464	1.8388	1.8448	-0.9	1.846	-0.6	1.8385	0.3	-
Norway	(NKr)	7.1316	-0.0013	298 - 333	7.1372	7.1040	7.1371	-0.9	7.1441	-0.7	7.1116	0.3	-
Portugal	(Es)	170.550	-0.85	400 - 700	171.450	169.750	171.065	-3.6	173.95	-4.0	178.8	-4.8	-
Spain	(Pta)	135.575	+0.025	550 - 600	135.770	135.180	135.99	-3.7	136.69	-3.3	138.7	-2.3	-
Sweden	(SKr)	7.7934	+0.0412	896 - 971	7.8025	7.7295	7.8134	-3.1	7.8434	-2.6	7.9284	-1.7	-
Switzerland	(SFr)	1.4025	-0.0025	020 - 030	1.4043	1.3970	1.4026	-0.1	1.4012	0.4	1.3854	1.2	-
UK	(£)	1.5118	+0.0028	114 - 121	1.5128	1.5075	1.511	0.6	1.5094	0.6	1.5065	0.4	-
Ecu	-	1.1711	+0.0013	706 - 716	1.1733	1.1682	1.169	2.2	1.1669	1.4	1.1782	-0.4	-
SDR†	-	1.41516	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9982	-0.0006	981 - 982	0.9982	0.9979	-	-	-	-	-	-	-
Brazil	(Cr)	1875.30	+31.46	525 - 535	1875.30	1875.23	-	-	-	-	-	-	-
Canada	(C$)	1.3865	+0.0012	862 - 867	1.3873	1.3847	1.3885	-1.7	1.3922	-1.6	1.4095	-1.7	-
Mexico	(New Peso)	3.3230	+0.008	180 - 280	3.3280	3.3190	3.324	-0.4	3.3258	-0.3	3.3332	-0.3	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	-
Pacific/Middle East/Africa													
Australia	(A$)	1.3545	-0.0007	540 - 550	1.3604	1.3537	1.3597	-4.7	1.3566	-1.2	1.357	-0.2	-
Hong Kong	(HK$)	7.7260	+0.0002	255 - 265	7.7265	7.7255	7.7255	0.1	7.728	-0.1	7.7422	-0.2	-
India	(Rs)	31.3700	-0.0005	675 - 725	31.3725	31.3675	31.45	-3.1	31.595	-2.9	-	-	-
Japan	(Y)	104.655	+0.255	630 - 680	104.680	104.340	104.48	2.2	104.01	2.5	101.43	3.1	-
Malaysia	(M$)	2.5792	-0.0028	787 - 797	2.5890	2.5765	2.5717	3.5	2.5692	1.7	2.5992	-0.8	-
New Zealand	(NZ$)	1.6819	-0.0158	812 - 826	1.6926	1.6812	1.6837	-1.3	1.6883	-1.5	1.71	-1.7	-
Philippines	(Peso)	26.9000	-	000 - 000	27.1000	26.7000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7502	-	500 - 504	3.7505	3.7500	3.7507	-0.2	3.7528	-0.3	3.7655	-0.4	-
Singapore	(S$)	1.5332	-0.0001	327 - 337	1.5337	1.5322	1.5325	0.6	1.5322	0.3	1.5342	-0.1	-
S Africa (Com.)	(R)	3.6305	-0.003	280 - 330	3.6350	3.6280	3.646	-5.1	3.6743	-4.8	3.751	-3.3	-
S Africa (Fin.)	(R)	4.7500	-0.005	350 - 650	4.7650	4.7350	4.7837	-8.5	4.8425	-7.8	-	-	-
South Korea	(Won)	805.800	-0.15	800 - 000	806.400	805.600	808.9	-4.5	812.4	-3.2	830.9	-3.1	-
Taiwan	(T$)	27.0550	+0.005	500 - 600	27.1100	27.0500	27.075	-0.9	27.115	-0.9	-	-	-
Thailand	(Bt)	25.2000	+0.005	900 - 100	25.2100	25.1900	25.2725	-3.5	25.4	-3.2	25.86	-2.7	-

†SDR rate for May 27. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices May 30. Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

May 31		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.08	16.63	4.864	2.000	4709	5.455	21.10	504.6	401.1	23.06	4.150	1.957	4.103	2.959	308.8	2.527
Denmark	(DKr)	52.41	10	8.715	2.549	1.048	2468	2.859	11.06	264.5	210.2	12.08	2.175	1.026	2.151	1.551	162.3	1.324
France	(FFr)	60.14	11.47	10	2.925	1.203	2832	3.281	12.69	303.5	241.2	13.87	2.496	1.177	2.467	1.780	186.2	1.520
Germany	(DM)	20.56	3.923	3.419	1	0.411	968.2	1.122	4.338	103.7	82.45	4.740	0.853	0.402	0.843	0.608	63.68	0.520
Ireland	(I£)	49.99	9.538	8.312	2.432	1	2354	2.727	10.55	252.3	200.5	11.53	2.074	0.978	2.051	1.479	154.8	1.263
Italy	(L)	2.123	0.405	0.353	0.103	0.042	100.	0.116	0.448	10.71	8.516	0.490	0.088	0.042	0.087	0.063	6.575	0.054
Netherlands	(Fl)	18.33	3.498	3.048	0.892	0.367	863.3	1	3.868	92.50	73.52	4.227	0.761	0.359	0.752	0.543	56.76	0.463
Norway	(NKr)	47.39	9.043	7.880	2.305	0.948	2232	2.585	10	239.1	190.1	10.93	1.967	0.928	1.944	1.403	146.8	1.198
Portugal	(Es)	19.82	3.781	3.295	0.964	0.396	933.3	1.081	4.182	100.	79.48	4.569	0.822	0.388	0.813	0.587	61.37	0.501
Spain	(Pta)	24.93	4.757	4.146	1.213	0.499	1174	1.360	5.261	125.8	100.	5.749	1.035	0.488	1.023	0.738	77.21	0.630
Sweden	(SKr)	43.37	8.275	7.211	2.110	0.868	2042	2.366	9.151	218.8	173.9	10	1.800	0.849	1.779	1.284	134.3	1.096
Switzerland	(SFr)	24.10	4.598	4.007	1.172	0.482	1135	1.315	5.085	121.6	96.65	5.557	1	0.472	0.989	0.713	74.62	0.609
UK	(£)	51.09	9.748	8.495	2.485	1.022	2406	2.787	10.78	257.8	204.9	11.78	2.120	1	2.096	1.512	158.2	1.291
Canada	(C$)	24.38	4.651	4.053	1.186	0.488	1148	1.330	5.143	123.0	97.76	5.620	1.011	0.477	1	0.721	75.48	0.616
US	($)	33.79	6.447	5.618	1.644	0.676	1591	1.843	7.130	170.5	135.5	7.791	1.402	0.661	1.386	1	104.7	0.854
Japan	(Y)	322.9	61.62	53.70	15.71	6.460	15209	17.62	68.14	1630	1295	74.46	13.40	6.321	13.25	9.556	1000.	8.161
Ecu		39.57	7.551	6.580	1.925	0.792	1864	2.159	8.350	199.7	158.7	9.125	1.642	0.775	1.624	1.171	122.5	1

Yen per 1,000: Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES (IMM) DM 125,000 per DM**

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.6077	0.6094	+0.0014	0.6096	0.6071	33,356	117,363
Sep	0.6070	0.6086	+0.0014	0.6090	0.6070	1,825	11,659
Dec	0.6097	0.6097	+0.0017	0.6097	0.6097	90	294

■ **SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr**

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.7125	0.7152	+0.0027	0.7156	0.7125	12,208	41,466
Sep	0.7135	0.7162	+0.0028	0.7166	0.7131	417	4,110
Dec	-	0.7190	-	0.7190	-	5	340

■ **JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100**

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.9578	0.9570	-0.0017	0.9580	0.9566	17,513	60,372
Sep	0.9650	0.9645	-0.0018	0.9656	0.9638	1,946	7,961
Dec	-	0.9725	-	-	0.9725	132	1,171

■ **STERLING FUTURES (IMM) £62,500 per £**

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	1.5090	1.5114	+0.0016	1.5122	1.5074	9,291	42,660
Sep	1.5070	1.5100	+0.0016	1.5100	1.5070	615	2,662
Dec	-	1.5090	-	1.5090	-	1	78

EMS EUROPEAN CURRENCY UNIT RATES

May 31	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Ireland	0.808628	0.792727	+0.001107	-1.97	6.08	13
Netherlands	2.19672	2.16248	-0.0016	-1.56	5.62	-
Belgium	40.2123	39.7060	-0.0178	-1.26	5.30	9
Germany	1.94964	1.92833	-0.00175	-1.09	5.12	-
France	6.53883	6.58549	-0.0119	0.71	3.06	-7
Denmark	7.43679	7.56405	+0.00443	1.71	2.23	-12
Spain	154.250	159.098	+0.176	3.14	0.81	-22
Portugal	192.854	200.521	-0.183	3.98	0.00	-27
NON ERM MEMBERS						
Greece	264.513	285.389	-0.199	7.89	-3.63	-
Italy	1793.19	1868.61	+3.62	4.21	-0.22	-
UK	0.786749	0.778169	+0.00093	-1.09	5.12	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)**

Strike Price	Calls Jun	Calls Jul	Calls Aug	Puts Jun	Puts Jul	Puts Aug
1.425	8.50	8.40	8.44	-	-	0.10
1.450	6.05	6.06	6.25	-	0.07	0.34
1.475	3.57	3.86	4.26	0.16	0.36	0.83
1.500	1.34	2.12	2.63	1.48	1.05	1.68
1.525	0.15	0.94	1.51	3.74	2.38	2.93
1.550	-	0.33	0.76	6.23	4.11	4.66

Previous day's vol., Calls 7,533 Puts 2,736. Prev. day's open int., Calls 515,088 Puts 481,721

WORLD INTEREST RATES

MONEY RATES

May 31	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	5 3/8	5 3/8	5 5/8	5 3/4	5 7/8	7.40	4.50	-
week ago	5 1/2	5 1/2	5 5/8	5 3/4	5 7/8	7.40	4.50	-
France	5 3/4	5 5/8	5 5/8	5 3/4	5 3/4	5.40	-	6.75
week ago	5 3/4	5 5/8	5 5/8	5 3/4	5 7/8	5.40	-	6.75
Germany	5.65	5.15	5.08	5.05	5.08	6.00	4.50	5.20
week ago	5.33	5.15	5.08	5.00	5.00	6.00	4.50	5.23
Ireland	5 1/4	5 3/4	5 3/4	5 7/8	6 1/4	-	-	6.25
week ago	5 1/2	5 1/2	5 5/8	5 7/8	6 1/4	-	-	6.25
Italy	7 3/8	7 5/8	7 5/8	7 3/4	8	-	7.00	7.55
week ago	7 5/8	7 3/8	7 5/8	7 3/4	8	-	7.00	7.55
Netherlands	5.16	5.13	5.13	5.13	5.15	-	5.25	-
week ago	5.15	5.13	5.21	5.24	5.25	-	5.25	-
Switzerland	4 1/4	4 1/8	4 1/8	4 1/8	4 1/4	6.625	3.50	-
week ago	4 1/4	4 1/8	4 1/8	4 1/8	4 1/4	6.625	3.50	-
US	4 1/2	4 1/4	4 5/8	5	5 1/4	-	3.50	-
week ago	4 3/8	4 1/4	4 1/2	4 7/8	5 1/4	-	3.50	-
Japan	2 1/8	2 1/8	2 1/4	2 1/4	2 3/8	-	1.75	-
week ago	2 1/8	2 1/8	2 1/4	2 1/4	2 3/8	-	1.75	-
■ $ LIBOR FT London Interbank Fixing	-	4 3/8	4 3/4	5	5 1/2	-	-	-
week ago	-	4 3/8	4 3/4	5	5 1/2	-	-	-
US Dollar CDs	-	4.18	4.46	4.85	5.43	-	-	-
week ago	-	4.18	4.43	4.84	5.37	-	-	-
SDR Linked Ds	-	3 7/8	4	4 1/8	4 3/8	-	-	-
week ago	-	3 3/4	4	4 1/4	4 3/8	-	-	-

ECU Linked Ds mid rates: 1 mth: 6 1/4; 3 mths: 5 7/8; 6 mths: 5 3/4; 1 year: 5 7/8. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster. Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

May 31	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D-Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate**

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	94.44	94.43	-0.01	94.47	94.42	10,270	63,193
Sep	94.56	94.53	-	94.58	94.57	15,446	50,314
Dec	94.45	94.39	-0.03	94.45	94.38	10,003	36,002
Mar	94.26	94.18	-0.08	94.26	94.18	5,261	38,772

■ **THREE MONTH EURODOLLAR (LIFFE)* $1m points of 100%**

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.25	95.25	+0.01	95.25	95.25	215	5877
Sep	94.92	94.97	-0.04	94.60	94.59	210	1954
Dec	-	93.97	-0.07	-	-	0	1618
Mar	93.77	93.72	-0.02	93.77	93.77	30	1079

■ **THREE MONTH EUROMARK FUTURES (LIFFE) DM1m points of 100%**

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	94.86	94.92	-	94.93	94.86	12401	156537
Sep	95.03	95.03	-	95.06	95.01	29604	189357
Dec	94.96	94.87	-0.01	94.91	94.84	29139	235637
Mar	94.68	94.67	-0.03	94.72	94.65	20163	210085

■ **THREE MONTH EUROLIRA INT.RATE FUTURES (LIFFE) L1000m points of 100%**

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	92.29	92.27	-0.05	92.29	92.26	2767	30993
Sep	92.32	92.27	-0.10	92.32	92.25	3984	51076
Dec	92.07	91.99	-0.14	92.08	91.98	2157	49677
Mar	91.76	91.75	-0.16	91.80	91.73	100	13051

■ **THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%**

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.90	95.89	-0.01	95.91	95.87	1256	21747
Sep	95.79	95.80	+0.01	95.84	95.78	1585	21889
Dec	95.68	95.67	+0.01	95.68	95.67	52	7748
Mar	95.53	95.50	-	95.53	95.49	171	5389

■ **THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%**

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	94.02	94.00	-	94.04	93.99	911	9824
Sep	94.27	94.20	-0.06	94.31	94.20	1292	12058
Dec	94.20	94.10	-0.08	94.20	94.10	220	7786
Mar	93.89	93.88	-0.11	94.01	93.88	249	3167

* LIFFE futures traded on APT

■ **THREE MONTH EURODOLLAR (IMM) $1m points of 100%**

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	95.24	95.25	-0.01	95.26	95.23	54,379	355,674
Sep	94.63	94.65	-0.10	94.66	94.55	100,696	400,026
Dec	94.08	93.98	-0.10	94.06	93.95	182,108	412,712

■ **US TREASURY BILL FUTURES (IMM) $1m per 100%**

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	95.65	95.63	-0.03	95.65	95.63	1,836	14,051
Sep	95.05	95.01	-0.09	95.05	95.01	1,380	15,837
Dec	94.56	94.52	-0.07	94.56	94.52	204	7,390

All Open Interest figs. are for previous day

■ **EUROMARK OPTIONS (LIFFE) DM1m points of 100%**

Strike Price	Calls Jun	Calls Sep	Calls Dec	Puts Jun	Puts Sep	Puts Dec
9475	0.18	0.34	0.30	0.01	0.06	0.18
9500	0.02	0.18	0.19	0.10	0.15	0.32
9525	0	0.08	0.11	0.33	0.30	0.49

Est. vol. total, Calls 2611 Puts 1109. Previous day's open int. Calls 262051 Puts 180745

■ **EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%**

Strike Price	Calls Jun	Calls Sep	Calls Dec	Puts Jun	Puts Sep	Puts Dec
9575	0.09	0.21	0.22	0.04	0.16	0.30
9600	0.01	0.10	0.12	0.14	0.30	0.45
9625	0	0.04	0.06	0.38	0.49	0.68

Est. vol. total, Calls 0 Puts 0. Previous day's open int. Calls 599 Puts 3704

UK INTEREST RATES

LONDON MONEY RATES

May 31	Over night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	5 - 3	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills	-	-	[illegible]	[illegible]	-	-
Bank Bills	-	-	[illegible]	[illegible]	-	-
Local authority deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Market deps	5 - 3 1/2	[illegible]	-	-	-	-

UK clearing bank base lending rate 5 1/4 per cent from February 8, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	1	4	3 1/2	3 1/2	3 1/2

Certs of Tax dep. under £100,000 is 1 1/2pc. Deposits withdrawn for cash 1/2pc. Ave. tender rate of discount 4.7891pc. ECGD fixed rate Stg. Export Finance. Make up day May 31, 1994. Agreed rate for period Jun 26, 1994 to Jul 25, 1994, Scheme II & III 6.47pc. Reference rate for period Apr 30, 1994 to May 31, 1994, Schemes IV & V 5.222pc. Finance House Base Rate 5 1/2pc from May 1, 1994.

■ **THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%**

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	94.86	94.88	-0.02	94.70	94.67	6708	65146
Sep	94.30	94.22	-0.09	94.31	94.24	16268	90836
Dec	93.72	93.59	-0.19	93.74	93.56	34429	129015
Mar	93.10	92.98	-0.22	93.12	92.94	10102	53009

Traded on APT. All Open Interest figs. are for previous day.

■ **SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%**

Strike Price	Calls Jun	Calls Sep	Calls Dec	Puts Jun	Puts Sep	Puts Dec
9450	0.18	0.09	0.03	0	0.34	0.97
9475	0.02	0.04	0.03	0.09	0.54	1.19
9500	0	0.02	0.01	0.32	0.77	1.42

Est. vol. total, Calls 10656 Puts 5312. Previous day's open int. Calls 181626 Puts 153261

BASE LENDING RATES

	%		%		%
Adam & Company	5.25	Duncan Lawrie	5.25	•Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	8
Allied Trust Bank	5.25	Exeter Bank Limited	6.25	Royal Bk of Scotland	5.25
AIB Bank	5.25	Financial & Gen Bank	6	•Smith & Williamson Secs	5.25
•Henry Ansbacher	5.25	•Robert Fleming & Co	5.25	Standard Chartered	5.25
Bank of Baroda	5.25	Girobank	5.25	•United Bk of Kuwait	5.25
Banco Bilbao Vizcaya	5.25	•Guinness Mahon	5.25	Unity Trust Bank Plc	5.25
Bank of Cyprus	5.25	Habib Bank AG Zurich	5.25	Western Trust	5.25
Bank of Ireland	5.25	•Hambros Bank	5.25	Whiteaway Laidlaw	5.25
Bank of India	5.25	Heritable & Gen Inv Bk	5.25	Yorkshire Bank	5.25
Bank of Scotland	5.25	•Hill Samuel	5.25		
Barclays Bank	5.25	C. Hoare & Co	5.25		
Brit Bk of Mid East	5.25	Hongkong & Shanghai	5.25		
•Brown Shipley & Co Ltd	5.25	Julian Hodge Bank	5.25		
CL Bank Nederland	5.25	•Leopold Joseph & Sons	5.25		
Citibank NA	5.25	Lloyds Bank	5.25		
Clydesdale Bank	5.25	Meghraj Bank Ltd	5.25		
The Co-operative Bank	5.25	Midland Bank	5.25		
Coutts & Co	5.25	•Mount Banking	6		
Credit Lyonnais	5.25	NatWestminster	5.25		
Cyprus Popular Bank	5.25	•Rea Brothers	5.25		

• Members of British Merchant Banking & Securities Houses Association
* In administration

MONEY MARKET FUNDS

Money Market Trust Funds

Fund	Gross	Net	CAR	Int Cr
CAF Money Management Co Ltd	[illegible]	[illegible]	[illegible]	[illegible]
The COIF Charities Deposit Account	[illegible]	[illegible]	[illegible]	[illegible]
Cent. Bd. of Fin. of Church of England	[illegible]	[illegible]	[illegible]	[illegible]

Money Market Bank Accounts

Account	Gross	Net	CAR	Int Cr
Allied Trust Bank Ltd	[illegible]	[illegible]	[illegible]	[illegible]
American Express Bank Ltd	[illegible]	[illegible]	[illegible]	[illegible]
Bank of Ireland High Interest Cheque Acc	[illegible]	[illegible]	[illegible]	[illegible]
Bank of Scotland	[illegible]	[illegible]	[illegible]	[illegible]
Barclays Select	[illegible]	[illegible]	[illegible]	[illegible]
Barclays Prime Account H.I.C.A.	[illegible]	[illegible]	[illegible]	[illegible]
Brown Shipley & Co Ltd	[illegible]	[illegible]	[illegible]	[illegible]
Caledonian Bank Plc	[illegible]	[illegible]	[illegible]	[illegible]
Cater Allen Ltd	[illegible]	[illegible]	[illegible]	[illegible]
Charterhouse Bank Limited	[illegible]	[illegible]	[illegible]	[illegible]
Clydesdale Bank Flexible Solution Acc	[illegible]	[illegible]	[illegible]	[illegible]
The Co-operative Bank	[illegible]	[illegible]	[illegible]	[illegible]
Coutts & Co	[illegible]	[illegible]	[illegible]	[illegible]
Dao Heng Bank (London) PLC Premier Acc	[illegible]	[illegible]	[illegible]	[illegible]
Davenham Tst Plc - Devonshire 500 Acc	[illegible]	[illegible]	[illegible]	[illegible]
Fidelity Money Market Account	[illegible]	[illegible]	[illegible]	[illegible]
Halifax Bldg Soc Asset Reserve Cheque Acc	[illegible]	[illegible]	[illegible]	[illegible]
Julian Hodge Bank Ltd	[illegible]	[illegible]	[illegible]	[illegible]
Humberclyde Finance Group	[illegible]	[illegible]	[illegible]	[illegible]
Leopold Joseph & Sons Limited	[illegible]	[illegible]	[illegible]	[illegible]
Kleinwort Benson Ltd	[illegible]	[illegible]	[illegible]	[illegible]
Kleinwort Benson Private Bank	[illegible]	[illegible]	[illegible]	[illegible]
Lloyds Bank - Investment Account	[illegible]	[illegible]	[illegible]	[illegible]
Midland Bank plc	[illegible]	[illegible]	[illegible]	[illegible]
Nationwide Bldg Soc - BusinessInvestor	[illegible]	[illegible]	[illegible]	[illegible]
Portman Bldg Soc Prestige Cheque Account	[illegible]	[illegible]	[illegible]	[illegible]
Rea Brothers Limited, Bankers	[illegible]	[illegible]	[illegible]	[illegible]
Royal Bank of Scotland plc Premium Acc	[illegible]	[illegible]	[illegible]	[illegible]
Save & Prosper/Robert Fleming	[illegible]	[illegible]	[illegible]	[illegible]
Tyndall Bank plc	[illegible]	[illegible]	[illegible]	[illegible]
ULC Trust Limited	[illegible]	[illegible]	[illegible]	[illegible]
United Dominions Trust Ltd	[illegible]	[illegible]	[illegible]	[illegible]
J. Henry Schroder Wagg & Co Ltd	[illegible]	[illegible]	[illegible]	[illegible]
Western Trust High Interest Cheque Acc	[illegible]	[illegible]	[illegible]	[illegible]

WORLD STOCK MARKETS

EUROPE

PACIFIC

NORTH AMERICA

AFRICA

■ TOKYO - MOST ACTIVE STOCKS: Tuesday, May 31, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Kawasaki Steel	15.5m	426	+3	NKK	9.7m	287	-2
Kawasaki Hvy Ind	10.8m	477	+2	Furukawa Elec	9.0m	730	+20
M'bishi Hvy	10.6m	787	-1	Toshiba	8.2m	845	+7
Ricoh	10.3m	980	+12	Hitachi	7.8m	1080	+10
Nippon Steel	9.8m	375	-1	Mitsui Eng	7.4m	389	+11

INDICES

	May 31	May 30	May 27	1994 High		1994 Low	
Germany							
FAZ Aktien(31/12/58)	798.85	803.85	818.06	869.27	18/5	778.33	2/3
Commerzbank(1/12/53)	2268.4	2288.4	2324.2	2485.50	2/5	2221.20	2/3
DAX (30/12/87)	2127.70	2118.15	2140.99	2271.11	16/5	2020.38	3/3
Greece							
Athens SE(31/12/80)	880.10	845.38	856.43	1194.88	18/1	808.87	25/5
Hong Kong							
Hang Seng(31/7/64)	8553.58	8529.63	8470.13	12201.09	4/1	8389.44	4/5
India							
BSE Sens.(1979)	3829.3	3828.7	3789.5	4287.90	28/2	3464.00	5/1
Indonesia							
Jakarta Comp.(10/8/82)	501.79	504.48	504.97	612.86	5/1	454.32	26/4
Ireland							
ISEQ Overall(4/1/88)	1777.78	1777.15	1776.67	2082.16	20/1	1776.67	27/5
Italy							
Banca Comm.Ital.(1972)	731.31	735.50	730.60	817.17	10/5	588.85	10/1
MIB General(4/1/93)	1181.0	1198.0	1181.0	1318.00	10/5	944.08	10/1
Japan							
Nikkei 225 (16/5/49)	20973.58	20830.97	20777.36	20973.58	31/5	17369.74	4/1
Nikkei 300 (1/10/82)	307.79	307.18	305.75	307.79	31/5	269.22	4/1
Topix (4/1/68)	1682.50	1678.53	1670.78	1682.50	31/5	1445.97	4/1
2nd Section (4/1/68)	2330.79	2320.86	2320.20	2330.79	31/5	1873.38	4/1
Malaysia							
KLSE Comp.(4/4/86)	993.73	986.11	1000.11	1314.46	5/1	828.33	4/4
Switzerland							
Swiss Bk Ind (31/12/58)	1284.64	1292.36	1284.46	1423.34	31/1	1238.75	9/5
SBC General (1/4/87)	964.14	970.55	961.77	1083.29	31/1	917.53	9/5
Taiwan							
Weighted Pr.(30/6/66)	5891.58	5934.50	5806.77	6454.52	6/1	5194.83	19/3
Thailand							
Bangkok SET (30/4/75)	1356.87	1383.61	1383.57	1753.73	4/1	1196.59	4/4
Turkey							
Istanbul Comp.(Jan 1986)	14749.1	14737.3	15825.1	20883.60	13/1	12980.70	24/3
WORLD							
MS Capital Int (1/1/70)$	617.9*	618.4	618.1	641.00	1/2	591.80	4/4
CROSS-BORDER							
Eurotrack 100(26/10/90)	1399.73	(c)	1404.19	1540.18	31/1	1393.80	2/3
Euro Top-100 (26/6/90)	1212.51	1216.39	1217.40	1311.01	2/2	1202.49	2/3
JCapeDrgns (31/12/88)	(d)	322.24	320.71	385.19	5/1	290.28	21/3
Barings Emerg.(7/1/92)	(d)	158.21	157.90	182.72	14/2	141.85	21/4

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
May	2030.0	2027.9	-23.1	2030.0	2034.0	33,891	12,881
Jun	2013.5	2013.0	-20.5	2015.0	1994.0	36,809	48,056
Jul	2011.0	2010.5	-20.5	2011.0	1899.0	257	2,341

Open interest figures for previous day.

US INDICES

Dow Jones	May 27	May 26	May 25	1994 High	1994 Low	Since compilation High	Since compilation Low
Industrials	3757.14	3753.46	3755.30	3978.36 (31/1)	3593.35 (4/4)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	97.73	97.80	97.62	105.61 (21/1)	96.43 (13/5)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1622.83	1608.26	1603.41	1862.29 (2/2)	1546.02 (20/4)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	186.73	187.58	185.14	227.08 (3/1)	177.76 (12/5)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3772.18 (3785.07) Low 3723.68 (3722.76) (Theoretical♠)
Day's high 3757.75 (3773.10) Low 3733.34 (3742.71) (Actual♠)

Standard and Poors	May 27	May 26	May 25	1994 High	1994 Low	Since compilation High	Since compilation Low
Composite ‡	457.33	457.06	456.34	482.00 (2/2)	438.92 (4/4)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials♥	533.31	533.24	532.52	580.59 (2/2)	510.05 (21/4)	580.59 (2/2/94)	3.62 (21/6/32)
Financial	45.51	45.41	45.52	48.66 (31/1)	41.39 (4/4)	48.40 (28/9/93)	8.64 (1/10/74)
NYSE Comp	252.79	252.61	252.06	267.71 (2/2)	243.14 (4/4)	267.71 (2/2/94)	4.48 (25/4/42)
Amex Mkt Val	440.94	439.62	439.25	487.89 (2/2)	427.60 (20/4)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Comp	733.14	731.64	732.07	803.93 (18/3)	705.51 (20/4)	803.93 (18/3/94)	54.87 (31/10/72)

■ RATIOS

	May 27	May 20	May 13	Year ago
Dow Jones Ind. Div. Yield	2.69	2.69	2.76	2.90
	May 25	May 18	May 11	Year ago
S & P Ind. Div. yield	2.46	2.48	2.54	2.52
S & P Ind. P/E ratio	23.41	24.06	23.52	26.25

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Jun	456.55	454.60	-1.90	458.60	454.50	43,307	191,078
Sep	457.50	457.05	-1.85	457.60	456.90	2,584	27,139
Dec	-	459.80	-	-	459.80	14	7,949

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Philip Morris	4,025,000	50	-¼
Up John	2,531,400	31½	-1½
Citicorp	2,420,700	39¼	+⅛
Merck	1,819,700	30⅞	-⅛
Glaxo	1,764,500	16	-⅛
Motorola	1,747,700	47	+⅛
Gen Elec	1,728,000	49	+½
Comp Assoc	1,648,500	42¼	-⅛
Telefonos	1,458,000	62	+½
Gen Motors	1,330,900	54¼	—

■ TRADING ACTIVITY

● Volume (million)

	May 27	May 26	May 25
New York SE	186.409	254.360	254.420
Amex	12.773	23.783	15.356
NASDAQ	202.525	276.716	274.180
NYSE			
Issues Traded	2,784	2,804	2,795
Rises	1,137	1,173	1,121
Falls	917	898	1,008
Unchanged	730	732	668
New Highs	35	42	33
New Lows	28	28	63

† Correction. * Calculated at 15.00 GMT. ⊕ Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♠ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

4 pm close May 31

1994 High	1994 Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chg'ge Prev. Close
17 7/8	14 1/8	AAR	0.48	3.3	479	124	14 1/2	14 1/8	14 3/8	-1/8
16 7/8	13 3/4	A L Labs A	0.18	1.3	32	242	14 1/2	13 3/4	14 1/8	+1/4
68	57 5/8	AMP	1.68	2.6	22	1110	64 7/8	64 1/2	64 3/4	-1/8
72 3/4	52 1/8	AMR			28	1635	56 1/2	54 3/4	55 1/4	+5/8
5	3 5/8	ARX			14	11	4 1/4	4 1/8	4 1/4	
56 1/8	38 5/8	ASA	2.00	4.6	28	538	43 5/8	43 1/4	43 1/4	+1/2
30 7/8	25 3/8	AbbtL	0.76	2.5	17	10776	u31 1/8	29 7/8	29 7/8	-7/8
13 3/4	11 1/8	Abitibi Pr	0.50	4.1	8	104	12 1/4	12	12 1/8	-1/8
13 3/4	11 1/8	Acptncetn			23	66	12 1/2	12 3/8	12 1/2	+1/8
31	24 1/2	ACE Ltd	0.44	1.6	4	205	27 3/8	27 1/8	27 1/4	+1/8
12 1/2	10 1/8	ACM Gvt In x	1.08	10.0		534	11	10 3/4	11	+1/4
10 1/8	7 7/8	ACM GvOpp x	0.80	9.2		38	8 5/8	8 1/2	8 5/8	+.07
10 5/8	8 5/8	ACM Gvt Sp x	0.96	11.1		202	8 5/8	8 1/2	8 5/8	+.11
12	9 1/8	ACM Gvt Se x	1.09	11.1		757	10	9 7/8	9 7/8	+.15
11 3/4	8 7/8	ACM Man x	1.08	11.5		104	9 1/2	9 3/8	9 3/8	+.06
9 1/4	8	ACM Mangd x	0.72	8.5		74	8 1/2	8 3/8	8 1/2	+.12
15 1/2	8 3/4	AcmeCly	0.44	4.0	13	255	11	10 5/8	10 7/8	+1/8
9 1/8	6 5/8	Acme Elect			6	305	u9 1/4	9	9	-1/8
28 3/4	23	Acordia	0.60	2.1	14	21	28 5/8	28 3/8	28 5/8	
9 3/8	5 3/4	Actava	0.36	4.1	2	557	9 1/8	8 7/8	8 7/8	-1/8
15 5/8	11 1/4	Acuson			114	832	15	14 7/8	14 7/8	-1/8
18 7/8	16 1/2	Adams Expr	0.48	2.8	0	49	17 1/4	17 1/8	17 1/8	-1/4
64	46 1/2	Ad Micro x	3.00	5.4		45	55 1/2	53 7/8	55 1/2	+7/8
31 3/4	16 3/4	AdvMic	3.00	11.1	11	4222	27 1/8	25 3/4	27	+1/4
6 7/8	5	Advest Grp	0.16	3.0	8	64	5 3/8	5 1/4	5 3/8	
30	16 1/8	Advo Inc	0.10	0.6	113	121	17 1/8	16 7/8	17	-1/8
57 1/4	49 3/8	Aegon ADR	2.85	5.6	11	14	52 3/4	52 1/2	52 1/2	-1 3/8
65 3/4	49 3/4	AetnaL	2.76	5.1	8	1244	54 3/8	53 5/8	54 1/8	+1/4
33 1/2	25 1/4	Aflac	0.46	1.4	14	1922	u33 7/8	33 1/4	33 1/2	+1/8
20 1/4	16 3/8	Ahmnsn	0.88	4.7	12	434	18 7/8	18 5/8	18 3/4	-1/8

1994 High	1994 Low	Stock	Div	Yld. %
40 3/4	34 1/8	BectnD	0.74	1.9
7 1/4	5	BedfPr	0.36	5.2
59 5/8	49	BellAtl	2.76	5.2
19 3/4	14 1/2	Bell In	0.40	2.4
63 1/2	53	BellSth	2.76	4.6
55	45 1/2	Belo A	0.60	1.2
25	20 1/2	Bemis	0.54	2.2
69	57 1/4	Benef 4 3P	4.30	7.4
40 7/8	34 1/2	Benef x	1.52	4.1
36 7/8	29 3/4	Benetton A	0.42	1.3
1 1/8	1 1/2	Benguet B	0.04	4.3
19 7/8	14 5/8	BergBr	0.48	2.7
18950	15100	BerkH		
10	8	Berry Petr	0.40	4.2
37 3/4	19	Best Buy		
28 1/8	26 3/8	Beth St 2.	2.50	9.2
55 5/8	51 1/2	Bethlhm Pf	5.00	9.4
24 1/8	16 3/4	BethSt	0.40	2.1
53 5/8	43 5/8	Betz L	1.40	3.1
18 1/8	12 3/8	BevEnt		
21 3/4	13 7/8	Biocraft	0.10	0.6
32 5/8	25	Birmingm S	0.40	1.3
22 3/8	16 1/2	BlDeck	0.40	2.2
22 3/4	20 1/8	Black H PL	1.32	6.3
10 3/4	8 1/2	BlckrckAdv	0.73	7.8
8 1/2	6 5/8	Blckrcklnc	0.75	10.7
10 1/8	8 5/8	BlckrckTgt	0.70	7.7
48 3/4	38 1/2	Block	1.12	2.6
31 3/8	23 3/8	Blockb	0.10	0.4
8 3/8	6 5/8	Blue Chip	0.12	1.8

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

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- O -

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- R -

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NYSE COMPOSITE PRICES

4 pm close May 31

Continued from previous page

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NASDAQ NATIONAL MARKET

4 pm close May 31

[illegible]

AMEX COMPOSITE PRICES

4 pm close May 31

[illegible]

AMERICA

Stocks mixed as data fail to lift bonds

Wall Street

US stocks were mixed yesterday morning as a batch of weaker than expected economic data failed to lift the bond market, *writes Frank McGurty in New York.*

By 1 pm, the Dow Jones Industrial Average was 2.15 better at 3,759.29, but the more broadly based Standard & Poor's 500 was down a slight 0.83 at 456.50.

In the secondary markets, the American SE composite slipped 0.27 to 440.87 and the Nasdaq composite was off 0.96 at 732.18.

After the extended holiday weekend, the trading week opened with a barrage of economic news. But activity remained light as many investors apparently decided to extend their vacations – on the NYSE some 117m shares were traded by 1 pm.

Most of the indicators pointed to a moderating economic trend.

The Conference Board, an industry trade group, said that its May index of consumer confidence slipped after advancing in the previous two months.

The Commerce Department said that personal income in April was up 0.4 per cent, a little less than expected, while personal spending dipped 0.1 per cent against expectations of no change.

New home sales in April, meanwhile, showed a 6.8 per cent decline.

None of these indicators of slower growth – a favourable development for fixed-rate investments – could generate any enthusiasm among bond traders. The US Treasury market was showing solid losses by midday, as investors watched commodity and gold prices rise during the morning and European bonds extend their losses.

A report showing Chicago's purchasing managers paying sharply higher prices last month was also a negative factor for bonds.

Blue chips were down as much as 15 points near the opening as equity investors pondered the weakness in bonds. But share prices climbed to near their opening levels as the morning continued, although no single sector was experiencing any marked activity.

Chevron was showing the best gain among the Dow industrials, up $1⅛ to $87⅝ after the stock was upgraded by Merrill Lynch.

Blockbuster Entertainment, whose proposed takeover by Viacom has become uncertain, topped the NYSE's most active list. Some 2.1m shares had changed hands by 1 pm, compared with an average daily volume of 1.2m shares.

The stock appreciated $1¼ to $28 after Robertson Stephens & Company raised its rating on the company to "market performer".

Bombay, a home-furnishing retailer, advanced $1⅜ to $16 after posting a 23 per cent gain in May sales for stores opened at least a year.

Upjohn, up $1¼ to $32¾, continued to benefit from last week's takeover speculation.

Media stocks suffered further losses in the aftermath of last week's announcement that several television stations were switching their affiliation to the Fox network. Capital Cities/ABC shed $6⅛ to $738 and CBS receded $5 to $284⅞.

Canada

Toronto stocks were mixed in subdued midday dealings, with weakness in conglomerates offsetting gains in the gold and precious metals sector.

The TSE 300 composite index was up 3.40 to 4,334.07 in turnover of C$252m. Declines outpaced advances by 304 to 266, with 264 issues holding steady.

Barrick Resources led rises in the gold sector, jumping C$1⅞ to C$34⅞ in busy trade.

Diamond shares continued to be sought, Aber Resources adding C$⅜ at C$7⅜ following good results on Monday.

EUROPE

Cyclicals top Dax performers despite correction

A number of bourses staged intraday recoveries as selling pressure ran out of steam, *writes Our Markets Staff.*

FRANKFURT was weak again at the outset after a sharp drop in bond prices, but short-covering left the Dax index with a 9.55 gain at 2,127.70; by the end of the post-bourse it had risen another 10 points to an Ibis-indicated 2,137.74.

Turnover increased from DM5.1bn to DM6.7bn. The Dax lost 5.3 per cent in May, precisely what it had gained in April, said Mr Eckhard Frahm at Merck Finck in Düsseldorf. It suffered most of all, he said, from weakness in US bonds and the correction in cyclicals from mid-month following a double top in low volume.

However, extended weakness in carmakers did not prevent them leading the Dax top performers for the first five months of 1994: BMW, ex-rights, down a net DM7 yesterday at DM830, was up 13.6 per cent this year; and Volkswagen, DM1.50 lower at DM484.50, still 10.1 per cent to the good. The two leaders were ahead by 24.8 and 19.5 per cent respectively after the first four months.

The mid-May corollary, a switch into defensive stocks, was ruined for banks by bond market weakness. Bayerische Vereinsbank, Dresdner and Bayernhypo all showed the strain, leading the Dax losers with falls of 21.2 per cent, 19.1 per cent and 18.2 per cent in the five months to May.

PARIS remained uneasy, with the CAC-40 index at one point falling to an inter-session low of 2,013.61, before finding fresh support on the opening of Wall Street. The CAC-40 index ended the day down 22.61, or 1 per cent, at 2,029.90, with equities continuing to be pressured by futures. The expiry of the May futures contract yesterday also added an extra dimension to the day's volatility.

Turnover improved to FFr4.5bn from Monday's FFr1.6bn.

According to Nikko Europe, US investors have been seen recently switching out of cyclicals and into the financial sector.

Schneider, off FFr9.40 at FFr390.50, remained beset by uncertainty among investors following the arrest in Belgium last week of its chairman. After the shares had been suspended briefly, the group issued a statement denying any allegations of financial wrongdoing.

ZURICH adopted the recent German attitude towards cyclicals, taking profits as pressure on the domestic bond market and from weakness in equities abroad left the SMI index down 20.0 at 2,722.9.

Among cyclicals, BBC Brown Boveri lost SFr20 at SFr1,260, Georg Fischer SFr30 at SFr1,480 and Sulzer registered SFr26 at SFr928; Alusuisse, the metals company which forecast substantial recovery this year after hours, fell with the pack, shedding SFr9 to SFr658.

Here, too, the financial sector offered little relief. Among insurers, Winterthur fell SFr22 to SFr690 although it produced a first quarter rise of 9 per cent in premium income, and was bullish about 1994.

MILAN recovered from an early fall with the Comit index hovering close to the 720 support level before picking up again on technical buying.

The Comit index finished down 4.19 at 731.31.

The day's main feature was Mediobanca, up L225 at L15,950 following confirmation that a number of leading executives, including the honorary president Mr Enrico Cuccia, were under investigation in relation to the bank's role in the structuring of Ferruzzi. Observers said that the news had been in the market for some days, which explained the upward movement in the shares.

AMSTERDAM also recovered later in the day, having earlier fallen through the 400 level for the first time since December 1993 as the equity market came under renewed pressure from bonds. The AEX index ended off 1.65 at 400.77, having seen a session low of 397.26.

One of the day's main features was a Fl 2.30 drop in DSM, the chemicals group, to Fl 134.00 on news that it was buying for an undisclosed figure the outstanding 40 per cent share in Curver Rubbermaid from Rubbermaid of the US that it did not own.

Elsewhere KLM retreated a further 90 cents to Fl 51.30 ahead of tomorrow's fourth quarter results.

MADRID, yet again, spiced a desolate platter of blue chips with big rises in speculative stocks, Amper and Prima Inmobiliaria, the property company, each rising about 15 per cent – by Pta71 to Pta546, and by Pta30 to Pta232.

The general index closed down 3.81 at 327.00 in moderate turnover of Pta25bn. Some brokers were beginning to see danger in the speculators' attachment to secondary issues.

STOCKHOLM led the way down in a mostly weak Nordic sector, the Affärsvärlden General index losing 27.10, or 1.8 per cent at 1,479.00. However, **COPENHAGEN** recovered dramatically after an equally severe intraday decline with the KFX index a token 0.02 higher at 100.95, buyers coming back and an almost euphoric mood in evidence.

ATHENS stayed in volatile form, the general index rising 14.77, or 1.75 to 860.10 on buying in the recently embattled construction sector.

WARSAW eased in mixed trade, the Wig index falling 182.9, or 1.5 per cent to 12,036.7. Elektrim, the trading company, fell 10 per cent after yesterday's 20 per cent cut in its rights issue price.

TEL AVIV dropped again after the central bank indicated a small decline in economic activity, the Mishtanim index closing 7.21, or 3.7 per cent lower at 187.61.

Written and edited by William Cochrane and John Pitt

FT-SE Actuaries Share Indices

May 31	THE EUROPEAN SERIES							
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1392.48	1392.95	1390.93	1392.47	1396.02	1398.87	1398.44	1399.73
FT-SE Eurotrack 200	1398.52	1398.49	1397.42	1401.38	1403.73	1406.22	1407.56	1409.70
	May 27	May 26	May 25	May 24	May 23			
FT-SE Eurotrack 100	1404.19	1411.48	1412.51	1435.77	1446.42			
FT-SE Eurotrack 200	1414.33	1426.97	1430.24	1453.90	1469.75			

Base 1000 (26/10/90); Highday: 100 - 1398.82; 200 - 1409.83 Lowday: 100 - 1389.34 200 - 1397.01

ASIA PACIFIC

Foreign buying noted as Nikkei hits third new high

Tokyo

Buying by foreign investors and some domestic financial institutions left equities with a third day of gains after a strong close, *writes Robert Patton in Tokyo.*

The Nikkei 225 average ended 134.62 up at 20,973.59, its third new high for the year in as many days. At one point in the early afternoon a rally sent the index above 21,000 to a day's peak of 21,048.61, where it encountered heavy selling pressure from Japanese non-financial corporations. The low for the session was 20,857.07.

Volume eased from 594.8m shares to an estimated 530m. The Topix index of all first section stocks gained 4.17 at 1,682.50, while the Nikkei 300 firmed 0.61 to 307.79. In the first section, rises led declines by 691 to 329, with 164 issues unchanged. In London the ISE/Nikkei 50 index put on 2.51 at 1,391.93.

Most heavy electricals continued to advance. Hitachi adding Y10 at Y1,080 and Toshiba Y7 at Y845, but Mitsubishi Electric lost Y9 at Y688.

Major industrials and shipbuilders were mixed. Kawasaki Steel, once again the day's most active issue, moved up Y3 to Y426 on a volume of 15,450 shares. Kawasaki Heavy Industries rose Y2 to Y477.

The morning's trading started on a quiet note. With markets in London and New York closed on Monday, fewer foreign investors were active.

The market heated up in the early afternoon, fuelled by very large buy orders from a foreign brokerage house for leading stocks. Other dealers followed suit, stepping up their purchases. The more positive tone of the market was largely a reaction to projections of corporate profitability in the current fiscal year, and to Monday's release of stronger than expected industrial output figures for April.

Most foreign analysts continued to maintain a bullish stance. Mr Rod Smyth of Baring Securities argued that the combination of positive economic data released in the last two days with the technical strength of the market made a breakout above 21,000 "only a matter of time". But some analysts pointed to the continued absence of individual investors as a negative factor weighing on the market.

In Osaka the OSE average rose 104.04 to 23,162.36 as volume of 38.2m shares topped Monday's 35.9m.

Roundup

The Monday closure of US markets had a dampening affect on activity yesterday.

HONG KONG was firmer in muted trading, with the Hang Seng index ahead 29.93 at 9,553.56 but down from the day's high of 9,568.78. Turnover slipped to HK$3.1bn from the previous day's HK$3.5bn.

Property issues remained strong following recent weakness, with Cheung Kong and Henderson Land both rising 50 cents to HK$39 and HK$41 respectively.

San Miguel, the Philippine-based brewer, shed 10 cents to HK$6.85 on news that it had sold its site in Hong Kong for HK$3.5bn to Wheelock Properties, up 20 cents at HK$19.

China Light saw brisk European-led buying push the shares up HK$1.25 to HK$43.

MANILA gained 2.6 per cent, with San Miguel leading the way on news of the property sale in Hong Kong. The composite index advanced 79.38 to 3,030.77 as San Miguel "A" shares jumped 7.3 per cent to 102 pesos and the "B" stock 2.2 per cent to 141 pesos. PLDT climbed 30 pesos, or 1.6 per cent, to 1,940 pesos.

Turnover slipped to 1.2bn pesos from Monday's 1.3bn.

TAIPEI fell on profit-taking following rises over the past two days. The weighted index was finally down 42.94 at 5,891.56 after an earlier high of 5,960. Turnover was T$53.96bn.

Paper shares were the worst hit: Wan Yu receded 80 cents to T$23.60 and Cheng Loong 70 cents to T$37.30.

In the electronics sector, Acer declined T$1 to T$64, while United Microelectronics went against the trend with a rise of T$2 to T$104.50.

KUALA LUMPUR slipped back as volume hit the year's lowest point at just 50m shares. The composite index ended off 4.00 at 996.11. Lion Land retreated 13 cents to M$2.77 on profit-taking after sharp gains last week.

SINGAPORE eased on light selling of blue chips, the Straits Times Industrial index declining 24.22 to 2,281.67.

SEOUL retreated for the third consecutive session in reduced volume as manufacturing stocks continued to consolidate. The composite index lost 6.15 at 939.49.

SYDNEY was lower in the absence of major corporate news. The All Ordinaries index dipped 10.0 to 2,081.8 in light turnover of A$354m.

CSR, the building products, aluminium and sugar group, remained under pressure, falling a further 13 cents to A$4.80, in spite of announcing strong earnings results on Monday. Analysts commented that investors were disappointed by dividend tax considerations.

BOMBAY declined as profits were taken, particularly in the heavily weighted ITC and Reliance Industries late in the session. The BSE index relinquished 4.99 to 3,823.06.

Brazil up 3 per cent after breaking resistance point

Brazil

Equities in São Paulo were more than 3 per cent higher at midday as the Bovespa index accelerated after breaking through the 24,400 resistance level.

The index of the 56 most traded shares was up 802 at 25,074 by 1 pm, in turnover of Cr138.7bn ($74m).

Brokers commented that optimism remained ahead of the adoption of the country's new currency on July 1 which *could pave the way for a significant* drop in the 45 per cent monthly inflation level.

They added that a forecast rise in consumer spending, taken together with lower export tariffs, were also expected to boost cyclical shares, such as retail and mining companies.

Among the actives, Telebras, the telecommunications group, was 2.9 per cent higher at Cr73.50. Vale do Rio Doce, the mining group, climbed 3.5 per cent to Cr190.99 and Petrobras advanced 3.2 per cent to Cr189.

● Smith Barney Shearson has initiated coverage of Cemig, the electric utility, with a neutral, speculative risk rating. The broker said it believed that the company had a good potential, but maintained a neutral weight because of the country's general economic and political uncertainty.

Mexico

Shares opened higher, driven by selective demand from investors restructuring portfolios at the end of the month.

The IPC index of 37 leading shares had gained 11.17, or 0.45 per cent, at 2,496.58 by mid-morning. Volume was 15m shares.

Chartists suggested that some profit-taking could be seen at the 2,500 level.

One of the main influences on activity was the advance of American Depositary Receipts in the US, especially in the stock of Telmex, the telephone utility, and Televisa, the media group.

Telmex "L" shares, available to foreign investors, were up 6 centavos at 10.36 pesos and Televisa up 1.6 pesos at 96.5 pesos.

Turnover was moderately light at 164.9m pesos, in volume of 15m shares.

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1994	Start of 1994	Start of 1994
Austria	-2.06	-2.17	+25.69	-9.47	-6.62	-4.78
Belgium	-2.78	-1.71	+20.87	-1.09	+3.60	+5.64
Denmark	-1.79	-6.23	+21.23	-3.48	-0.12	+1.84
Finland	-3.89	-1.88	+50.38	+12.95	+18.93	+21.25
France	-4.23	-4.88	+11.70	-8.10	-5.29	-3.43
Germany	-4.60	-4.96	+26.81	-6.38	-3.04	-1.13
Ireland	-2.78	-5.56	+14.62	-5.80	-2.94	-1.04
Italy	-5.98	-9.21	+34.60	+17.88	+24.41	+26.84
Netherlands	-2.78	-3.61	+19.58	-5.33	-2.43	-0.52
Norway	-1.48	+0.84	+31.14	+5.36	+9.09	+11.23
Spain	-2.39	+1.77	+21.02	-0.01	+3.42	+5.45
Sweden	-0.30	+3.26	+33.17	+7.29	+13.66	+15.89
Switzerland	-0.66	-0.77	+21.66	-6.31	-2.80	-0.89
UK	-5.13	-5.45	+4.85	-12.36	-12.36	-10.64
EUROPE	-3.99	-4.29	+15.23	-6.74	-4.57	-2.69
Australia	-0.39	+2.34	+19.14	-2.50	+3.27	+5.29
Hong Kong	-1.77	+5.75	+26.52	-20.80	-22.31	-20.79
Japan	+1.80	+4.70	+2.46	+15.48	+21.07	+23.45
Malaysia	-1.08	-6.31	+39.34	-23.15	-21.56	-20.02
New Zealand	+0.94	+3.18	+31.09	-1.82	+1.20	+3.18
Singapore	-0.53	+0.02	+31.44	-8.72	-6.14	-4.30
Canada	+0.32	+1.19	+10.76	+0.95	-5.47	-3.62
USA	+0.60	+1.51	+0.89	-1.77	-3.66	-1.77
Mexico	+2.57	+5.23	+50.13	-5.57	-13.09	-11.39
South Africa	-2.23	-1.71	+35.86	+8.86	-4.08	-2.20
WORLD INDEX	-0.35	+0.92	+6.44	+0.73	+1.72	+3.72

† Based on May 27th 1994. Copyright, The Financial Times Limited, Goldman, Sachs & Co, and NatWest Securities Limited.

The vacillations in New York bond markets, successively depressed by interest rate worries, lifted by the US Treasury bond auction and dropped again by an upward revision in GDP data, actually left US equities higher last week as Europe fell 4 per cent. Kleinwort Benson strategist Mr Albert Edwards says strong global growth will continue to drive up bond yields and that investors have yet to realise that the transfer of manufactured production to the Pacific Rim will exacerbate the inflation upturn over the next few years.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	MONDAY MAY 30 1994 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	FRIDAY MAY 27 1994 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (69)	175.50	-0.1	172.41	116.04	150.24	158.93	-0.3	3.46	175.69	172.68	115.95	150.21	159.43	189.15	130.19	138.62
Austria (17)	175.24	-0.6	172.15	115.87	150.01	149.75	-0.7	1.08	176.13	173.10	116.23	150.57	150.77	195.41	142.90	145.56
Belgium (39)	171.56	-0.1	168.53	113.43	146.86	143.34	-0.1	3.84	171.82	168.86	113.39	146.89	143.43	176.67	141.92	147.31
Canada (106)	130.72	-0.1	128.41	86.43	111.90	131.12	-0.2	2.58	130.88	128.63	86.37	111.89	131.42	146.31	121.46	128.67
Denmark (33)	251.10	-0.3	246.67	166.02	214.95	220.04	-0.2	1.34	251.75	247.42	166.14	215.22	220.51	275.79	207.58	219.34
Finland (23)	147.65	-1.2	145.04	97.62	126.39	168.26	-0.5	0.87	149.38	146.82	98.58	127.71	169.12	156.72	85.54	100.16
France (98)	169.86	-0.1	166.86	112.31	145.40	149.93	0.1	3.01	169.93	167.01	112.14	145.28	149.78	185.37	149.60	158.16
Germany (58)	136.99	-1.2	134.57	90.58	117.27	117.27	-1.1	1.76	138.65	136.27	91.50	118.53	118.53	147.07	107.59	113.20
Hong Kong (56)	389.31	0.4	382.45	257.41	333.27	386.15	0.4	2.78	387.59	380.93	255.79	331.36	384.46	506.56	271.42	299.41
Ireland (14)	183.31	0.0	180.08	121.21	156.93	174.53	0.0	3.48	183.29	180.14	120.96	156.70	174.46	209.33	155.93	164.88
Italy (80)	87.35	0.4	85.81	57.76	74.78	103.76	0.4	1.52	87.00	85.51	57.42	74.38	103.37	97.78	57.88	70.24
Japan (469)	161.14	0.3	158.30	106.55	137.95	106.55	0.5	0.75	160.64	157.88	106.01	137.34	106.01	165.91	124.54	152.58
Malaysia (98)	469.63	-0.7	461.35	310.52	402.04	467.01	-1.0	1.43	473.10	464.97	312.21	404.46	471.69	621.63	312.51	344.02
Mexico (18)	2137.51	1.0	2099.80	1413.30	1829.81	7751.98	1.2	1.00	2115.81	2079.42	1396.27	1808.81	7657.06	2647.08	1431.17	1485.97
Netherland (26)	198.81	0.4	195.31	131.46	170.20	167.46	0.2	3.35	198.08	194.68	130.72	169.35	167.09	207.43	164.22	170.52
New Zealand (14)	69.94	-0.2	68.71	46.25	59.88	63.05	-0.4	3.79	70.07	68.86	46.24	59.90	63.23	77.69	48.57	49.45
Norway (23)	198.47	-0.7	194.97	131.23	169.90	192.15	-0.5	1.72	199.82	196.38	131.86	170.82	193.20	206.42	150.61	159.74
Singapore (44)	350.95	-0.2	344.76	232.04	300.43	247.97	-0.3	1.53	351.71	345.67	232.11	300.69	248.76	378.92	242.46	258.38
South Africa (59)	263.05	0.7	258.41	173.92	225.18	273.38	0.2	2.27	261.28	256.79	172.42	223.37	272.89	280.26	175.93	198.01
Spain (42)	146.60	-0.2	144.10	96.99	125.58	150.64	-0.1	3.96	146.94	144.42	96.97	125.62	150.87	155.79	116.33	129.38
Sweden (36)	224.48	-1.4	220.53	148.43	192.17	257.62	-0.9	1.55	227.57	223.66	150.18	194.56	259.98	231.35	163.85	184.05
Switzerland (47)	160.02	0.8	157.20	105.80	136.98	139.38	0.9	1.74	158.71	155.98	104.74	135.68	138.13	176.66	124.46	129.36
United Kingdom (205)	183.32	0.1	180.08	121.21	156.93	180.08	0.0	4.15	183.24	180.08	120.92	156.65	180.08	214.86	170.32	179.97
USA (519)	186.54	0.0	183.25	123.34	159.69	186.54	0.0	2.87	186.54	183.33	123.10	159.47	186.54	196.04	178.95	183.94
EUROPE (721)	164.83	-0.1	161.92	108.98	141.10	153.83	-0.1	3.02	165.01	162.17	108.89	141.07	153.94	178.58	141.56	148.01
Nordic (115)	211.62	-1.0	207.89	139.92	181.16	211.26	-0.7	1.42	213.83	210.15	141.11	182.80	212.67	220.60	155.82	171.74
Pacific Basin (750)	169.62	0.3	166.63	112.15	145.20	116.49	0.4	1.04	169.18	166.27	111.65	144.64	116.03	169.62	134.79	156.31
Euro-Pacific (1471)	167.17	0.1	164.51	110.73	143.36	131.65	0.2	1.85	167.29	164.41	110.40	143.02	131.38	170.78	141.98	152.79
North America (625)	183.08	0.0	179.85	121.05	156.72	182.71	0.0	2.86	183.09	179.94	120.82	156.52	182.73	192.73	175.67	180.51
Europe Ex. UK (516)	150.83	-0.2	148.17	99.73	129.12	136.89	-0.1	2.37	151.13	148.53	99.74	129.20	137.03	157.47	122.37	128.17
Pacific Ex. Japan (281)	253.04	0.0	248.58	167.31	216.62	227.01	-0.2	2.61	253.12	248.77	167.04	216.40	227.38	296.21	182.38	193.30
World Ex. US (1654)	168.62	0.1	165.64	111.49	144.35	134.97	0.2	1.87	168.41	165.52	111.14	143.98	134.69	172.61	142.94	153.23
World Ex. UK (1968)	172.58	0.1	169.54	114.11	147.74	148.11	0.1	2.03	172.44	169.48	113.80	147.42	147.89	175.58	153.22	160.81
World Ex. So. Af. (2114)	173.03	0.1	169.97	114.40	148.12	150.21	0.1	2.22	172.90	169.93	114.10	147.81	150.01	178.56	155.00	162.37
World Ex. Japan (1704)	182.32	0.0	179.10	120.56	156.07	176.52	0.0	2.87	182.36	179.22	120.34	155.90	176.56	185.20	165.72	169.74
The World Index (2173)	173.56	0.1	170.50	114.75	148.57	151.15	0.1	2.22	173.42	170.44	114.44	148.26	150.94	178.97	155.17	162.61

Constituent change with effect 1/6/94: Deletion, La Redoute (France). Constituent change with effect 7/6/94: Share fraction change: Endesa (Spain) 0.244 to 1.0. Amendments to indices 30/5/94 applied to Mexico, related regional indices and The World Index. Latest prices were unavailable for this edition. Markets closed 30/5/94: UK and USA.